Austria	Sch30	Indonesia	Rp3600	Pakistan	Rs35
Bahrain	Din1.000	Iran	Rls210	Philippines	Pso45
Belgium	BFr60	Israel	Shk5.50	Poland	Zl 18,000
Cyprus	C£1.00	Italy	L2500	Portugal	Es180
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr14	Korea	Won 2500	S.Arabia	SR9.00
Egypt	E£4.00	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,250	Spain	Pta200
France	FFr8.00	Lux	LFr60	Sweden	SKr14
Germany	DM3.30	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira26	Tunisia	Din1.000
Iceland	IKr70	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

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Wednesday February 5 1992

Φ D 8523A

NEW ZEALAND
A radical reform of labour law
Page 4

World News

Venezuela foils attempt to topple president

The Venezuelan military foiled a coup attempt in which President Carlos Andres Perez narrowly escaped death. Loyalist soldiers reported many casualties.

The government suspended the constitution to enable it to search homes and detain people without warrants. It also banned strikes and public gatherings and suspended stock market activity for two days. Page 12; Background, Page 6

Habash affair 'over'
French president François Mitterrand, under fire over Palestinian hardliner George Habash's stay in France for medical treatment, said the affair was over and defied the opposition to try to topple his Socialist government. He said the decision to admit Habash was an error, but not a serious issue. Page 2

Japan's PM apologises
US president George Bush defended the US work ethic against disparaging comments by Japanese prime minister Kiichi Miyazawa, who apologised for causing a "misunderstanding". Page 12

Shipment 'illegal'
Norway claims to have fresh evidence that 12.5 tonnes of heavy water, needed in the production of nuclear weapons, was illegally shipped to India. Page 4

Pro-Palestine alliance
Three Israeli parties which want a Palestinian state in the West Bank and Gaza Strip are to form an alliance in the coming general election which will probably make them the third largest group in the new parliament. Page 4

Miners killed
Two men died in a rock fall at a gold mine near Johannesburg owned by Anglo American Corp, taking the death toll in South African mine accidents to 12 in two days.

Leprosy breakthrough
The World Health Organisation is to test a drug which reduces treatment time for leprosy to four weeks from the present six months and could help wipe out the disease, which affects 6m people.

Nuclear waste controls
The European Community has approved controls on trade in radioactive waste including a ban on exports to third countries unless they specifically agree to accept the material.

Hope of survivors ends
Rescuers digging in frozen snow for survivors of avalanches that buried villages in south east Turkey and killed more than 170 people at the weekend have given up hope of finding anyone left alive.

Air crash kills 12
All nine passengers and three crew aboard a Brazilian-made Bandeirante airliner on an internal flight died when the aircraft crashed into a mountain in Brazil.

Army pushes insurance
The British army is to launch a campaign to persuade troops to take out life insurance. Many discovered after the Gulf war began that they had insufficient cover and were then unable to obtain it.

UN envoy to go
Thomas Pickering, highly regarded US envoy to the United Nations, is to become ambassador to India. Page 6

Defensive strategy
Marshal Yevgeny Shaposhnikov, chief of the armed forces of the Commonwealth of Independent States, said that since the CIS had no enemies, it would defend itself against everyone. Page 2

Business Summary

Eurotunnel contractors may be paid with shares

Eurotunnel, the Anglo-French tunnel operator, could offer new shares in part settlement of claims for extra payments of more than £1bn ($1.8bn) being sought by contractors building the project.

Such a move would dilute the holdings of existing shareholders but might get over a hurdle of how to finance part of the increased cost of the project which since 1987 has risen from £4.8bn to more than £8bn. Eurotunnel's share price fell 15p to 445p following speculation that settlement of claims might include a share issue. Page 13; Lex, Page 12

AMERICAN EXPRESS and its Shearson Lehman investment banking subsidiary have agreed to inject $58m in First Capital Life Insurance Company, the ailing Californian life company which was seized by the state insurance regulators last May. Page 13

ELECTROLUX, world's largest white goods manufacturer, reported profits down 27 per cent for 1991, despite a substantial final-quarter improvement. Page 13

FORTE, the UK hotels group, agreed to provide more information on property depreciation policies in its next annual report, following an investigation by the Financial Reporting Review Panel, the new watchdog of the Accounting Standards Board. Page 13

DOW JONES industrial average gained 38.69 points to close at a record high of 3,272.81.

FIAT, Italy's biggest private-sector company, announced plans for 10,300 redundancies this year in a further sign of the competitive pressures now facing the country's big manufacturers. Page 2

ISRAEL is seeking to raise $1.5bn through the sale of Israel Bonds to help it meet foreign funding needs created by immigration over the next five years. Page 4

INDUSTRIAL electricity users in the UK may face legal action if they go ahead with their threat of refusing to pay the nuclear element in their annual power bills when contracts are renewed in April. Page 8; Lex, Page 12

BRITAIN'S opposition Labour party is considering redefining the UK's public sector borrowing requirement to exclude funds raised for some types of investment in transport and housing. Page 8

GTE, US local telephone company, shrugged off the economic slowdown to record a 10 per cent increase in fourth-quarter net income to $515m. Page 14

ELF AQUITAINE, French state-controlled oil group, estimated 1991 net profits would show a 7.5 per cent decline to FFr9.8bn ($1.81bn). Page 14

CANADIAN subsidiaries of Dow Chemical and Amoco agreed to a vast swap of interests in oil and gas properties, paving the way for the creation of a leading, publicly traded energy company. Page 15

CONSOLIDATED Metallurgical Industries, South Africa's second-largest ferrochrome producer, made a loss of R180,000 ($63,000) in the six months to the end of December. Page 15; Closure, Page 20

GRANADA Television, UK broadcaster, has been warned by Mr George Russell, chairman of the Independent Television Commission, that the decision to remove Mr David Plowright as executive chairman was a mistake that could have serious commercial implications for Granada. Page 8

ECONOMIST Intelligence Unit says net exports to the west of aluminium, copper, lead and zinc from former eastern bloc countries will remain high. Page 20

Steel deal disappoints German industry

By **Christopher Parkes** in Bonn and **Andrew Fisher** in Frankfurt

GERMAN industry and stock markets expressed disappointment yesterday at the 6.35 per cent pay award for steelworkers as implications of the pay deal which was announced on Monday sank in.

Economists warned that the Bundesbank would keep monetary policy tight, while the country's leading steelmaker, Thyssen Stahl, said the deal would cost the company DM100m ($62.8m) this year.

Mr Franz Steinkühler, leader of the powerful IG Metall union, deepened the depression with a declaration that the steel settlement would act as a "guideline" for his 4m engineering members, negotiations on whose pay starts in March.

Mr Hans Karl Schneider, chairman of the group of independent economic advisers to the government known as the "five wise men", said the steel industry would find it very hard to live with the result. Rationalisation and job losses would follow. The IfW world economic institute in Kiel claimed the Bundesbank would respond with "a restrictive monetary policy".

However, no changes in interest rates are expected at tomorrow's Bundesbank council meeting; the Lombard and discount rates were raised by an unexpectedly high half a point in December.

Most economic forecasts for this year have been based partly on the assumption that pay awards would average 5.5 per cent. However, the surprise weekend bargain, reached after steelworkers voted overwhelmingly for strike action, suggests that employers will have to dig deeper.

The steel package comprised an all-round 5.9 per cent increase and a one-off payment of DM175. In the light of the deal and Mr Steinkühler's stance, assumptions on pay increases have been increased to 6 per cent.

The Dax stock market index fell 12.61 points yesterday and closed at the day's low of 1,674.6. Domestic bond prices were also down.

Motor manufacturers, while relieved that a strike had been avoided and that steel deliveries would continue, were concerned that the 5.9 per cent basic award should not apply to the engineering sector.

Mr Hans-Joachim Gottschol, head of the metalworking industries' trade association, said yesterday that wages had to be related much more closely to productivity.

Editorial Comment, Page 10

Security forces cordon off the road outside the Belfast offices of Sinn Fein, the political arm of the Irish Republican Army, yesterday after a masked gunman killed three people inside the building. Page 12

UK car trade faces radical change

By **John Griffiths** in London

RADICAL changes in the UK retail motor trade, giving dealers much greater freedom in choosing which makes of car they sell and how they sell them, are expected to be urged in a report by the government's Monopolies and Mergers Commission to be published today.

But the long-awaited 1,000-page report is likely to prove, in many respects, a disappointment to consumer groups.

It gives only partial support to their contentions that car prices in the UK are excessively high compared with the main EC markets. However it does accept that the present system of list prices, which are almost automatically discounted, are unfairly confusing to private motorists.

The report, to be released by the Department of Trade and Industry, is also understood to be severely critical of the "gentlemen's agreement" which has confined Japanese car sales to 11 per cent of the UK market for nearly two decades. The report says the agreement works against consumers' interests.

Manufacturers and importers' preliminary reaction to the report last night appeared to be that, while they had not been given what one described as "an entirely clean bill of health", the MMC's decision not to recommend abolition of exclusive franchises or other fundamental change had exonerated the industry from the worst charges made against it.

Some recommendations of the report, however, should help substantially to increase competition in the market-place.

The five key recommendations are understood to be:

- The removal of restrictions on dealers advertising outside their manufacturer-designated sales territories;
- The ending of manufacturer-imposed restrictions on the number of dealer outlets any one group may own. Ford, the UK market leader, has a limit of eight, for example. The issue is an important one, as some manufacturers have become increasingly concerned at the bargaining power which can be exerted by the large public groups which are increasingly involving themselves in the motor trade;
- An end to manufacturer restrictions on dealer groups owning rival franchises within their designated sales territories, although the MMC does not go so far as to say that multi-franchising should be allowed under one roof or on a single site;
- An end to restrictions on dealers setting up parts sales or fast-fit operations within the franchised territories;
- The forced removal of unit sales ceilings that some manufacturers impose on individual dealers. The MMC's view is that such curbs unwarrantably restrict price competition.

Bourse investigation is setback for Agnellis

By **Alice Rawsthorn** in Paris and **Andrew Hill** in Brussels

THE AGNELLI family of Italy yesterday suffered a setback in its battle with Nestlé, the Swiss food group, for control of Perrier, the French mineral water company.

A French stock market investigation uncovered "serious weaknesses" in the conduct of Perrier and Exor, its controlling shareholder.

The investigation comes at a critical time for the Agnellis. Last month their friendly FFr5.6bn ($1.03bn) bid for Exor turned into a fight for Perrier after Nestlé launched a FFr13.42bn hostile bid for the mineral water company in conjunction with Banque Indosuez, the Paris bank.

The Commission des Opérations de Bourse, the regulatory body behind the investigation, also questioned the recent FFr1.5bn purchase of 14 per cent of Perrier by Saint Louis, another company associated with the Agnellis.

However, it said it could not "prove with certainty" that the boards of Exor (whose president Mr Jacques Vincent also chairs Perrier) and Saint Louis had used "privileged information about the Nestlé bid" in orchestrating the share sale.

The Agnellis' allies – Exor and Saint Louis – can effectively block the Nestlé bid because they control nearly 50 per cent of Perrier's shares.

However, the legality of the Saint Louis share purchase is being considered by the Paris commercial court. Its ruling, due on February 25, will hinge on whether the Perrier board acted on privileged information to sell the shares simply to block the imminent Nestlé bid.

The COB will send its conclusions to the Paris court. It will also submit its findings on Exor's relationship with Perrier to the commercial court in Nimes where Nestlé has filed a case to freeze the voting rights on Exor's 35 per cent of the mineral water company. Nestlé has already won a temporary injunction to do so.

In yesterday's report the COB criticised the Exor and Perrier boards for the "inadequacies" and "contradictions" in the information released to shareholders about the extent of Exor's involvement in the running of Perrier. It is also critical of the role of Mr Gustave Leven, former president of the mineral water company.

The results of the COB investigations will almost certainly help to influence the outcome of the Paris and Nimes court cases. If either court rules against the Agnelli camp, the blocking stake against Nestlé would disappear. This could open the door for Nestlé and Indosuez to win control of Perrier.

While the two factions await the outcome of the French court cases, the European Commission has begun a preliminary investigation into the Agnellis' bid for Exor.

At present this is a routine one-month investigation but if the inquiry raises "serious doubts" about the compatibility of the bid with the aims of the common market, the Commission would have the power to freeze the takeover attempt for a further four months while it carries out an in-depth investigation.

Brussels loses case over BAe's £44m 'sweeteners'

By **Andrew Hill** in Brussels and **David Buchan** in Luxembourg

THE European Commission was yesterday weighing its options after the European Court of Justice threw out, on procedural grounds, its order to force British Aerospace to repay the £44.4m ($80.4m) which it received from the UK government to "sweeten" its purchase of the Rover car group.

The Luxembourg-based Court annulled the Commission's decision of July 1990 ordering the UK government to recover the money from BAe.

Ruling on an appeal by BAe and Rover against that decision, the Court said the EC executive should have opened a fresh state-aid procedure, giving the companies a full hearing, rather than just relying on its earlier (1988) decision on the BAe-Rover transaction as the basis for recovering the £44.4m "sweeteners".

A Commission official said yesterday: "Nothing in the court decision contradicts the original analysis of the Commission, and the opinion of the Commission about the [illegal nature of the] aid has not changed".

Sir Leon Brittan, the EC commissioner in charge of EC competition policy, faces a quandary. One option is to let the matter drop. However he has already come under attack from the opposition Labour party in the UK.

Mr Gordon Brown, Labour's trade and industry spokesman, yesterday demanded an explanation from Sir Leon on the "mistakes" made by his office. "The taxpayer has lost £44m through a mixture of British government negligence and now EC incompetence", he said.

Sir Leon, faced at present with a number of French state aid cases, is also under pressure to appear even-handed in his treatment of EC states. In addition his demand for the recovery of the "sweetener" payments, which were hidden from Brussels and only unearthed by the UK National Audit Office, was seen at the time as a counterbalance to his decision not to question the £150m sale price of Rover.

The NAO report said this price was "substantially" too low, but Sir Leon chose not to pursue BAe for repayment of the balance between the price paid and any higher bid for Rover.

The Court said yesterday that the Commission could either start a full state aid procedure to recover the £44m or it could take the UK government to the court for failing in its general EC state-aid obligations, which include giving Brussels full information.

The Labour party, which has criticised the Conservative government's privatisations of companies such as Rover, is likely to want to see the Commission pursue the case.

If Sir Leon does nothing, it is conceivable that a future Labour government might consider taking the Commission to court on the basis that it had failed in its obligations to control state aid.

CONTENTS

Jobs the key issue for likely choice as Ireland's premier

Albert Reynolds, the man almost certain tomorrow to become Ireland's next prime minister in succession to Charles Haughey, says tackling unemployment must be at the top of the country's political agenda this year.
Page 3

MARKETS

STERLING
New York :
$1.802 (1.7965)
London:
$1.8005 (1.80)
DM2.8675 (same)
FFr9.7725 (9.765)
SFr2.5575 (2.555)
Y227.0 (226.0)
£ Index 90.9 (same)

GOLD
New York Comex Feb
$357.9 (358.4)
London:
$356.3 (356.7)

N SEA OIL (Argus)
Brent 15-day Mar
$18.25 (18.175)

Chief price changes yesterday: Page 13

DOLLAR
New York
DM1.598 (1.599)
FFr5.4285 (5.455)
SFr1.422 (1.425)
Y126.2 (126.155)
London:
DM1.592 (1.5975)
FFr5.4275 (5.44)
SFr1.421 (1.4235)
Y126.1 (125.9)
$ Index 62.7 (same)
Tokyo close: Y126.25

US CLOSING RATES
Fed Funds: $3\frac{5}{8}$% ($3\frac{15}{32}$)
3-mo Treasury Bills: 3.93% (3.82)
Long Bond: $102\frac{27}{32}$ ($102\frac{1}{16}$)
yield: 7.75% (7.813)

STOCK INDICES
FT-SE 100: Yield 4.80
2,556.8 (−3.4)
FT-A All-Share:
1,222.88 (same)
FT-SE Eurotrack 100:
1,132.79 (−1.25)
New York lunchtime:
DJ Ind. Av.
3,272.81 (+38.69)
S&P Comp
413.85 (+4.32)
Tokyo: Nikkei
21,899.60 (−139.99)

LONDON MONEY
3-month interbank:
$10\frac{11}{16}$% ($10\frac{5}{8}$%)
Liffe long gilt future:
Mar $97\frac{29}{32}$ (Mar $97\frac{17}{32}$)

Under financial pressure, some republics plan to push arms exports

Military chief says CIS has no enemies

By John Lloyd in Moscow

THE CHIEF of the armed forces of the Commonwealth of Independent States said yesterday that, since the CIS had no enemies, it would defend itself against everyone.

Marshal Yevgeny Shaposhnikov heads forces technically those of the Commonwealth but wholly paid for and increasingly disposed of by Russia – as when Mr Boris Yeltsin, the Russian president, proposed swingeing arms cuts last week without apparent reference to fellow CIS presidents.

Marshal Shaposhnikov, in a statement to the mass circulation Komsomolskaya Pravda, defended Mr Yeltsin's proposals against charges of "unilateralism," saying hard bargaining on disarmament would start when Mr James Baker, US secretary of state, arrives in Moscow next week.

"As to potential enemies," he said, "we simply do not have them. Our (military) doctrine might be described as an all-round defence." Before and during his trip to the US, Britain and Canada last week, Mr Yeltsin said these states had ceased to be seen as hostile.

Nevertheless economic pressures facing Russia and other former Soviet states coupled with deep cuts in defence procurement are forcing arms manufacturers into the world market to try to sell what they can to keep production going.

Mr Mikhail Malei, an adviser to President Yeltsin on military conversion, said in an interview with the Interfax news agency yesterday that the small Russian autonomous republic of Udmurtia, where defence enterprises make up 82 per cent of all production, would be a test bed for a new "concept" which would downgrade conversion in favour of finding new markets for arms.

He said Mr Yeltsin had approved a scheme under which the republic would retain 70 per cent of all hard currency receipts for weapons. Udmurtia production included chemical weapons as well as Kalashnikov rifles and other small arms, he said.

Mr Yegor Gaidar, the Russian deputy prime minister for economic reform, said on Monday that Russia would continue sales of weapons abroad.

The state of the defence industries was highlighted yesterday by Lieut Gen Vasili Vorobyev, head of the armed forces central finance department.

In an interview with the armed forces newspaper Krasnaya Zvezda, Gen Vorobyev said that expenditure on defence equipment of Rbs6.5bn in the first quarter of the year from a total defence allocation of Rbs50.4bn would leave defence industries "in a grave financial situation."

He said that no agreement had been reached with other CIS republics on the defence budgets, and thus Russia continued to shoulder the entire burden. A draft agreement would be put to the next meeting of the CIS states in Minsk on February 14, he said.

Withdrawing the former Soviet army from the Baltic republics will cost an estimated Rbs6bn ($60m at the market rate) and no timetable will be set for the completion of the troop pullout, Mr Sergei Shakhrai, a Russian deputy prime minister, said yesterday, reports Leyla Boulton from Moscow.

"We don't want to repeat the experience of the Soviet leadership by agreeing to withdraw troops before a certain date and then being forced to break that agreement," he said, referring to eastern European troop withdrawals.

Mr Shakhrai announced at the weekend that troops would begin pulling out of Lithuania this month and out of Latvia in March. But details had yet to be negotiated, he said yesterday. There was no date for the start of the pull-out from Estonia.

The speed of the withdrawals will partly depend on the availability of housing and social benefits to officers back in Russia. He declined to say which and how many troops will be withdrawn to begin with, lending credence to speculation the start may be a purely token gesture in a process which could take years.

After leading a Russian delegation to weekend talks with Baltic governments, He said a start date for withdrawing from Estonia could be determined only once the republic had formed a full negotiating team. He declined to give figures for the size of the military presence in the three republics, but said there were 40,000 officers there.

Russia's basic foods 'will last 19 days'

BASIC food supplies in Russia will be exhausted within 19 days despite new programmes for radical reform designed to replenish store shelves, a newspaper reported yesterday, AP reports from Moscow.

Another newspaper accused Russian leaders of "committing planned genocide" against the Russian people because salaries, pensions, and student grants have risen insignificantly compared with soaring food prices.

The reports, two of many such pessimistic items that have appeared in the Russian press since President Boris Yeltsin freed most prices on January 2, came one day after an official forecast two more years of economic hardships.

"Market prices are absolutely out of reach for 85 per cent of the population," the daily Sovietskaya Rossiya reported.

"Thus, the transition. . . to a 'market-led' economy has resulted in a shortage of protein in people's daily diets, which [as has been proven on numerous occasions] will soon lead to health disorders," it said.

Although President Boris Yeltsin's reforms have increased the availability of some products in state stores, many staples such as milk remain hard to find. Privately run shops and farmers' markets still sell a variety of different products, but their inflated prices are beyond the reach of most Russians.

Sovietskaya Rossiya said the government's policies would lead to genocide, predicting that the Russian population will drop by 10m within 10 years because of insufficient vitamins and other essential nutrients in people's diets.

The Russian State Statistics Committee, or Goskomstat, has predicted that Russia's stocks of beef and poultry will run out in 19 days and vegetable oil in 20 days, the newspaper Pravitelstvennyi Vestnik (Government Chronicle) reported. It said butter supplies are expected to disappear in 30 days, and sugar in 41 days.

Trade Ministry spokesman Mr Vasily Tikhonov blamed the pending crisis on other former Soviet republics

He accused them of refusing to honour contracts to sell food to Russia because they needed to feed their own residents.

Mr Tikhonov said Ukraine has provided only 1,000 tons of beef to Moscow and St Petersburg so far this year, a tiny portion of the 30,000 tons promised for the first three months. Belarus has supplied only 4,000 tons of meat products out of an agreed 46,000 tons, he said.

French confidence motion on Habash

By Ian Davidson in Paris

THE French government will call a special session of parliament on Friday to debate the Habash affair, President François Mitterrand said last night.

President Mitterrand made the announcement in an unscheduled television interview, in a manifest attempt to put an end to the political storm of protest precipitated by the hospitalisation in Paris last week of the Palestinian leader, Mr George Habash.

"There is no longer a Habash affair," he said. He insisted that the affair had never been serious or dramatic, but merely an error of political judgment on the part of the senior officials who authorised the admission of Mr Habash.

President Mitterrand said that Friday's debate would be preceded by a government policy declaration, and concluded with a government confidence motion.

If the government motion were defeated, or an opposition censure motion passed, he indicated, that the national assembly would be dissolved and early elections held.

Mr Mitterrand ruled out the resignation of any government ministers, or a more general reshuffle of the government of Mrs Edith Cresson, in response to the Habash affair. He said that if he had ever contemplated a government reshuffle, he certainly would not carry it out now.

President Mitterrand also announced that President Bush had agreed to a meeting of the powers with nuclear weapons in Europe to discuss the security of nuclear systems in the former Soviet Union.

Meanwhile, a poll published in the newspaper, Le Parisien, suggested that 55 per cent of voters were in favour of bringing forward the assembly elections which are scheduled for spring next year; 39 per cent were opposed to an early poll. The poll mainly reflected discontent with the Socialist party over the economy.

Ms Alessandra Mussolini (above), a student, and granddaughter of Italian dictator Benito Mussolini, is to stand as a neo-fascist in April's elections. Observer Page 10

Fiat plans to shed 10,300 workers

FIAT, Italy's biggest private-sector company, yesterday announced plans for 10,300 redundancies this year in a further sign of the competitive pressures now facing the country's big manufacturers, writes Haig Simonian in Milan. The company has requested state aid for almost half the job cuts through a government-assisted early retirement scheme, adding its name to a string of big industrial groups currently seeking government help to cushion the blow of redundancy programmes.

The company's announcement will come as unwelcome news to Italy's politicians, who are facing a general election on April 5.

Last month, Olivetti, the loss making computers group, announced plans for 2,500 lay-offs this year.

Tripartite discussions between ministers, unions and company representatives on the proposal have made little progress so far.

Last year, Fiat itself asked for state-assisted early retirement for 3,700 workers, but received provision for only 700, said a company spokesman. The latest request partly includes early retirement earmarked for last year.

Fiat's plan, which involves 3.7 per cent of its Italian workforce, partly reflects the continuing fall in its share of the domestic car market, which tumbled to 46.7 per cent last year from 52.8 per cent in 1990. Yesterday's announcement follows several plant closures.

Italy's new newspaper alters its approach

By Robert Graham in Rome

THE group of northern industrialists backing Italy's new daily, L'Indipendente, have forced a change of editorship less than three months after the paper's launch.

The backers, who include the Danieli, Falck and Levi families, have decided to replace the paper's detached up-market style, modelled on the anglo-saxon quality press, with an aggressive approach to try to prop up sagging sales and lack of advertising.

Mr Ricardo Franco Levi, the founder editor, is to be replaced by Mr Vittorio Feltri, formerly editor of the weekly magazine, Europeo. Mr Arrigo Levi, the former's uncle and one of Italy's foremost columnists, is also due to leave.

The paper was launched on November 14 and had initial sales of over 300,000.

Although the backers hoped sales would stabilise around an 80,000 break-even point, they have fallen close to 35,000 with a pagination of only 20 pages.

The new editor is thought to be close to the populist Lombard League, which has broken the mould of traditional politics in northern Italy.

Hurd says EC treaty safeguards nation state

By Robert Mauthner, Diplomatic Editor

THE powers of the nation state in "hugely important areas of policy" had not been significantly affected by last December's Maastricht treaty, Mr Douglas Hurd, Britain's foreign secretary, said in London yesterday.

Mr Hurd told British MPs the separate "pillar" system of the European Union, as proposed by the UK, had been fully respected by the treaty.

The treaty was a compromise, but it had safeguarded British interests. Both the new common foreign and security policy and most of justice and home affairs remained essentially outside the European Community's competence and were designated as matters for inter-governmental co-operation, he said.

That did not mean the UK, which takes over the EC presidency in July, was not interested in making progress in these areas.

Within the inter-governmental context, it would ensure matters were taken forward promptly and effectively.

Mr Hurd rejected suggestions the European Monetary Union provisions of the treaty represented "the most enormous transfer of power from this (the British) parliament to alien institutions."

That could happen, Mr Hurd conceded, if all member countries moved on to stage three of EMU, when a single currency and independent European central bank would be created.

But the UKwould be subject to the British parliament. Referring to German demands it was not realistic to create an EC central bank without central political institutions to control it, Mr Hurd said he did not believe it would be "sensible" to centralise EC political institutions.

He found it difficult to imagine an enlarged Community of some 18 members with a centralised structure.

"It would become top-heavy and unmanageable," Mr Hurd said.

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Berlin property sale probe to include Sony

By Leslie Colitt in Berlin

AN INVESTIGATION by the European Commission into the sale of prime-site property near the former Berlin Wall to Daimler-Benz has been extended to Sony, the Japanese electronics manufacturer, which bought a nearby property from city authorities.

The investigation will determine whether the companies received an illegal subsidy from the city to buy the real estate on Potsdamer Platz. The area was the pre-war heart of Berlin, but is now a vast barren square populated mainly by rabbits. The bunker where Adolf Hitler committed suicide in May 1945 lies under a mound on the site.

The Commission could declare both contracts invalid or agree to the companies making hefty additional payments.

An independent valuation ordered by the Commission last year and carried out by the Berlin authorities said the sale to Daimler-Benz in mid-1990 of a 61,710 square metre property for DM92.8m (£32m) was well below the market value of DM179.7m. Daimler-Benz is understood to have offered an additional sum which is under study in Brussels.

Mr Steffen Kammradt, spokesman for the Berlin Finance Ministry, said the city was notified yesterday by Bonn that the Commission will also look into the property sale to Sony to determine whether it received illegal subsidies.

Sony bought the 30,000 square metre property for its German headquarters for DM97.2m in June 1991.

The price per square metre was much higher than in the Daimler-Benz sale as German unification had taken place and Berlin was again the capital. Both of the prestigious investors were regarded by the city as vital for Berlin's future.

Mr Eberhard Diepgen, the governing mayor, was also anxious to assure that Daimler-Benz suffered no "loss of face" if the Commission ruled the cut-price sale amounted to illegal state aid.

Daimler-Benz said the Commission's inquiry would not hold up the building plans for the headquarters of its service operations but that it wanted a decision from Brussels soon.

Genscher proposes states to join EC

POLAND, Czechoslovakia and Hungary should be made full members of the European Community "as soon as possible," Mr Hans-Dietrich Genscher, the German foreign minister, said at the close of a one-day visit to Warsaw, writes Christopher Bobinski in Warsaw.

Mr Genscher explained that the recently signed association agreement between Brussels and the three central European countries for a gradual removal of trade barriers on non-farming goods by the end of the century, meant that the path to full membership "could be shortened."

However, he added that the moment of full membership would depend on "economic progress."

Mr Genscher's visit was designed to establish contact with Poland's new government, which met yesterday to give preliminary approval to economic plans for this year.

Mr Jerzy Eysymontt, the chief minister responsible for the economy, said afterwards that the Polish budget deficit this year would reach 5 per cent of gross domestic product (GDP), a slight increase on 1991, when the deficit touched on 4 per cent of GDP.

Reynolds nears winning post in PM stakes

Tim Coone reports on the political comeback of the man who was sacked by Haughey

Reynolds: tackling unemployment will be top of his agenda

THE Irish punter who in 1983 placed a I£50 bet at 14-1 that Mr Albert Reynolds, then a government parliamentary spokesman on industry, would succeed Mr Charles Haughey as leader of the Fianna Fail party and become prime minister should be a happy man tomorrow.

Ireland's biggest bookmaker, Paddy Power, which took that bet, yesterday shortened the odds on Mr Reynolds to 20-1 on, "and we still look as though we are going to lose a lot of money," a company manager said.

Ireland's next Taoiseach will be elected by the Fianna Fail parliamentary group tomorrow after the formal resignation of Mr Haughey, who said last week he would be stepping down "to further advance the best interests of the country."

A 1982 telephone-tapping scandal resurfaced last month, culminating a series of controversies in which Mr Haughey had become embroiled during the past six months. He was presented by his government coalition partners with the option of resigning or facing a general election.

Having widespread support in the parliamentary party in addition to that of almost half the cabinet, including the finance minister, Mr Bertie Ahern, Mr Reynolds can confidently expect to be sworn in as Taoiseach next Tuesday. His only challengers are the health minister, Mrs Mary O'Rourke and the agriculture minister, Mr Michael Woods, (25-1 and 40-1 respectively).

Born 56 years ago in Rooskey, a small village in the western county of Roscommon, Mr Reynolds was educated in the local Catholic school and found his first job as a wages clerk on the Irish railways.

Following a path trodden by many young men from the west of Ireland, he emigrated to Canada, but returned in the early 1960s to join his brothers in the running of the family dance hall business, established by his father in Rooskey and expanded by the younger Reynolds to other towns. As a keen amateur country and western singer, he would often appear on stage in jeans, boots and cowboy hat crooning into a microphone.

He moved to Longford, where he and a partner in 1970 set up a petfood factory to process previously exported trimmings and offal from the local slaughterhouses. This provided the financial basis for his launch into politics. The factory is now managed by his son and is set for a I£4m expansion through an acquisition in continental Europe.

He apparently first became involved in the Fianna Fail on his return from Canada, working up through the party. He was a Longford county councillor from 1975-79 and was first elected to parliament in 1977. On the election of Mr Haughey as prime minister in 1979, he was brought into the cabinet as transport and telecommunications minister. He was then given the industry and energy portfolio until 1982, after which he spent spent five years as an opposition parliamentary spokesman.

Back in government in 1987, he became industry and commerce minister and in 1988 became finance minister, the post from which both Mr Haughey and his predecessor, Mr Jack Lynch, advanced to the premiership.

However, Mr Reynolds came close to ending his career last November, when he was sacked by Mr Haughey for leading a party leadership challenge. He was criticised by some for mounting the challenge prematurely.

A life-long teetotaller, devout Catholic, and a chainsmoker until he gave up four years ago, Mr Reynolds is married with two sons and five daughters. Speaking to businessmen last week he said that tackling unemployment must be at the top of the political agenda in 1992 and that the Irish economy should be "an instrument in the creation of a society in which nobody feels left out."

German business slow to follow state on Croatia

Ex-Yugoslav republic shows few signs of economic loosening, writes **Judy Dempsey**

GERMANY'S business community is reluctant to invest in Croatia, not just because the newly-independent republic remains unstable, but because its government has been reluctant to introduce reforms to attractforeign capital.

"It is difficult to find one private hairdresser in Zagreb," a German diplomat said. "The economy remains highly centralised. There is no movement whatsoever in economic reforms," he added.

The war against the Croatian army by the Yugoslav federal army and Serb nationalists has played a large part in diverting the government's attention from decentralising the economy to building up a strong army.

"Although we are aware we must privatise the economy, it is difficult to talk about reforms when the war has cost at least the equivalent of one year's GDP, or $15bn (£8.3bn)," said Mr Jurica Pavelic, Croatia's deputy prime minister who is responsible for the economy.

Since June 25, when the war started, more than 200,000 apartments and houses have been destroyed, 145,000 people have lost their jobs because factories have been bombed, and Croatia is taking care of 322,000 refugees.

Many officials say the priority remains regaining that third of the republic's territory under the control of the federal army and Serb militants.

The mood among German diplomats and economists is one of growing frustration with the slow pace of change, particularly since Germany was the first of the European Community countries to recognise Croatia.

Germany is Croatia's largest single trading partner. Between January and June 1991, total trade amounted to $1.07bn. In 1988, total trade exceeded $2.2bn.

Bonn's contribution to Croatia has so far focused on humanitarian and technical assistance. An office set up by the German foreign ministry recently opened in Zagreb to co-ordinate all the international aid agencies. Mr Michael Steiner, its director, said this centralised system of distributing aid has cut out duplication and waste.

"Mr Genscher earmarked DM10m (£3.4m) for humanitarian aid last December provided all aid was co-ordinated by Bonn," said Mr Steiner. "In addition, the German *länder* (states) have already contributed DM4bn worth of aid to Croatia."

Mr Darko Bekic, a former adviser to Mr Tudjman, and now lecturer at Zagreb university, said Bonn faces a difficult task in influencing the pace of economic change and strengthening the republic's fragile democratic traditions.

"Croatian enterprise managers are rooted in the old communist tradition. They still believe the state should bail them out. They want the state to do all their marketing. There is little initiative. The *étatist* tradition is very strong here," he explained.

But German diplomats believe the Tudjman government has not only inherited the tradition of a strong state which preceded the communist era. "Even before the war, Tudjman refused to decentralise the economy, and instead created his own *nomenklatura*," said a German diplomat and specialist in Yugoslavia.

This direction of the economy is all the more exasperating for the large Croat diaspora in Germany which has swelled from 270,000 to more than 600,000 since June.

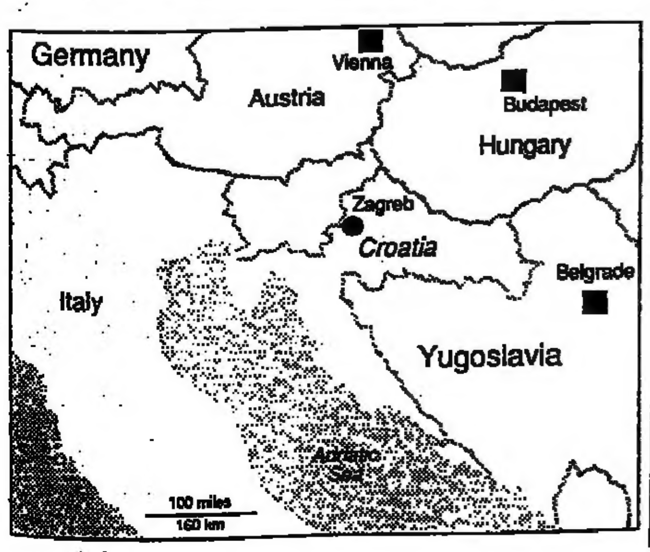
"The refugees want to return, so do some of the Croatian diaspora who came to Germany in the 1960s and who now want to invest in tourism or small businesses in their homeland. They are waiting for stability, and for new legislation on investment and privatisation," the diplomat said.

"Bonn can do little. The pressure for change must come from within. Only then, will credits, and investments start flowing in," he added.

LORD Carrington, chairman of the European Community peace conference on Yugoslavia, returns to Belgrade today to try to overcome obstacles to the United Nations plan to deploy peacekeepers in Croatia and reconvene the conference, writes Laura Silber in Belgrade.

The visit is the first since the EC recognised Croatia and Slovenia last January, a move which prompted many Serb officials to call for an end to EC mediation in the conflict.

Lord Carrington is expected to meet Serb leaders before travelling tomorrow to Sarajevo, the capital of Bosnia-Hercegovina, and later to Zagreb, the capital of Croatia.



N-rules broken by India, says Oslo

By Karen Fossli in Oslo

NORWAY has obtained fresh evidence that 12.5 tonnes of heavy water destined for Romania in 1986 was illegally re-routed to India, a senior public prosecutor said in Olso yesterday.

Heavy water, or deuterium oxide, is used to produce plutonium which in turn is used in nuclear weapons and atom bombs.

"We have documentation which shows that the heavy water was shipped to the Directorate of Purchase and Stores in Bombay," Mr Anstein Gjengedal, the public prosecutor said. The Bombay address has been linked by Norway to a branch of the Indian atomic programme.

Norway has for several years suspected that India's nuclear programme has been developed with the help of its heavy water which was illegally acquired, according to the terms of the nuclear Non-Proliferation Treaty (NPT).

The 1986 heavy water shipment was destined for Romania. According to Mr Gjengedal, in 1985 Romania signed an "end-user" statement that the heavy water would be used in a power plant and guaranteed that it would not be re-exported outside Romania. These assurances allowed the Norwegian government to approve the deal and issue the necessary export documentation for its shipment.

"When we investigated the case in Romania we accessed documents which told us that the heavy water shipment left Oslo on West African Airlines bound for Bucharest where it stopped for a crew change, without unloading, before going on to Bombay," Mr Gjengedal explained.

The Norwegian government has unsuccessfully sought India's co-operation in investigating the matter.

Mr Bjoern Blokhus, a Norwegian foreign ministry spokesman, said yesterday that Norway had informed the Indian government of its findings. "We are giving them reasonable time to respond," Mr Blokhus said.

But he indicated that if the government had not been contacted by Indian authorities by February 13, it would be forced to pursue a tougher strategy in order to substantiate Mr Gjengedal's findings.

He would not indicate what options the government would examine.

In 1988, Norway banned exports of heavy water because of a series of embarrassing scandals which underscored how lax controls over its export and sales had become. But by that time it had already made its way to at least 35 nations.

Indian fund for training

By K K Sharma in New Delhi

THE INDIAN government yesterday announced the establishment of a Rs2bn ($78.5m) national renewal fund to provide a social security net for workers made redundant by the closure of loss-making factories.

The fund is intended to retrain and redeploy up to 48,000 workers affected by such closures which are mostly in the public sector. So far 58 industrial units have been identified. They have cumulative losses of Rs100bn and the government estimates it would take Rs150bn to make them profitable.

Formulation of a policy which would enable loss-making public and private sector factories to be closed, however, has been delayed by trade union opposition.

The unions want to be allowed to run the units as worker co-operatives and they have some support from the Finance Ministry.

Riot police leave Hong Kong's Shek Kong camp for Vietnamese boat people yesterday. Gangs among the camp inmates clashed for a second night after at least 21 people had burned to death on Monday in the worst violence to strike the colony's boat people camps.

MACAO TO KEEP 'GREAT AUTONOMY' AFTER HAND-OVER

GENERAL Vasco Rocha Vieira, Macao's Portuguese governor, said after talks with Chinese premier Li Peng yesterday the enclave would maintain "great autonomy" after it reverts to Chinese rule in 1999, agencies report from Lisbon.

"Macao will have its own laws, its market economy, with all the rights that are guaranteed today," Gen Rocha Vieira told Portuguese journalists.

In a 1987 accord Portugal agreed to hand over the tiny territory on the south China coast after almost 500 years of rule from Lisbon. Under the agreement Beijing agreed to maintain the capitalist economy and give a "high degree of autonomy" to Macao for 50 years after the transfer. "The sovereignty of China will only show in defence and foreign affairs," Gen Rocha Vieira said.

Known as the Las Vegas of the east, the 16 sq km Macao has grown rich as a gambling and tourism haven, mainly for visitors from nearby Hong Kong, which Britain has agreed to return to Chinese sovereignty in 1997.

Li was on the final day of a three-day visit to Portugal, after visiting Italy, Switzerland and the United Nations. He was due to fly to Spain last night.

Sidestepping the sensitive issue of human rights, Li said on Monday night that ideological differences should not prevent western Europe normalising relations with China.

Mr Aníbal Cavaco Silva, prime minister of Portugal, which is the current president of the European Community, told Li that China would have to guarantee respect for human rights before relations with the EC could improve.

Li is one of the leaders widely held responsible for the killing of hundreds of pro-democracy protestors in Beijing's Tiananmen Square in June 1989.

Iraq spurns UN talks on oil shipment

By Michael Littlejohns in New York

IRAQ YESTERDAY withdrew from negotiations with the United Nations aimed at obtaining the shipment of $1.6bn worth of Iraqi oil, with most of the proceeds going for food, medicines and other civilian needs.

A UN spokesman said last night that Mr Abdul Amir al-Anbari, Iraq's chief UN delegate, notified the Secretariat of the decision on the eve of a second round of talks in Vienna today. The talks were due to last until Friday, with Mr Kofi Annan, a Ghanaian senior Secretariat official, representing the UN.

Mr Al-Anbari and Mr Annan held talks early last month in what UN officials said was a bid to overcome obstacles raised by Iraq to conditions imposed by the Security Council for a one-time, partial lifting of the oil embargo.

Asked if the Iraqi decision meant only a postponement of negotiations, Mr François Guiliani, the UN spokesman, said they were "cancelled like in cancelled, not cancelled like in postponed."

However, Mr Anbari was reported to have said privately that further talks could not be excluded, although Iraq did not think these could be useful, given the conditions imposed by the Security Council.

In agreeing last August that Iraq could sell some oil in a six-month period, the council ordered that the proceeds must be paid into a UN escrow account. The resolution expires next month.

President Saddam Hussein denounced these conditions and refused to order a resumption of oil shipments, despite his claim that Iraq was desperately in need of funds to purchase essential supplies.

Both US President George Bush and Mr John Major, the UK prime minister, said last week sanctions against Iraq must remain in place.

Zambia repays World Bank

ZAMBIA, one of the world's most indebted nations, has paid more than $50m of arrears to the World Bank, allowing it to draw fresh funds from the bank, according to Mr Emmanuel Kasonde, the finance minister, Reuter reports from Lusaka.

It was able to draw $71m from a $80m tranche of a World Bank loan suspended when the government defaulted on arrears payments last September, Mr Kasonde said.

The International Monetary Fund and donor nations also suspended aid because of the default and the failure of Mr Kenneth Kaunda's former government to implement reforms agreed with the IMF. "We are on track and the other donors are coming up with their share of the 1991 obligations. We shall be discussing the 1992 share in coming meetings in March in Paris," Mr Kasonde said.

The minister said a bridging loan used to pay the arrears was put together by Citibank of the United States with the help of Canada and some Nordic countries.

This would be repaid as soon as Zambia had recieved the funds from the World Bank.

Mr Kasonde said a system worked out to help Zambia settle more than $1bn in arrears with the IMF was also on course.

"We are back on track. The IMF has issued a letter of no ojection to the World Bank and we have started to accummulate our credits, and depending on whether we keep our benchmarks in the next three years, we can get our credit back," he said.

Last Friday, in his first budget since the Movement for Multi-Party Democracy defeated Mr Kaunda's United National Independence Party in October, Mr Kasonde devalued the kwacha by almost 25 per cent.

He presented a budget of kwacha 90bn ($720m) with a deficit of kwacha 10bn ($80m) which he said would be funded through donor support.

Mr Kasonde said Zambia had already put together an economic framework for 1992 on which the World Bank was expected to pass judgement soon.

"We have already got our framework for 1992. The question is to what extent we shall be successful in rescheduling the debts and persuading donors to write off certain debt to Zambia at the Paris Club meetings (of government creditors)," he said.

Zambia will attend a consultative group meeting with leading donor countries on March 21 and 22.

It will need an estimated $700m to $800m in balance of payments and import support for 1992, Mr Kasonde said, as proceeds from copper sales, the country's main foreign exchange earner, would fall far short of requirements.

S African judge doubts unrest claim

By Patti Waldmeir in Johannesburg

A SOUTH African judge charged with investigating public violence yesterday cast doubt on allegations that the country's military is involved in fanning township unrest.

The anti-apartheid Weekly Mail newspaper and the African National Congress yesterday presented a memorandum to the commission of inquiry chaired by Mr Justice Richard Goldstone, arguing that South African military intelligence set up front companies and used them to train agents to foment township violence.

In recent weeks, the Weekly Mail has published several articles quoting individuals who claim to have been involved in such activities, including a former senior official of the Inkatha Freedom party, the ANC's main black political rival. The ANC views the Weekly Mail revelations as proof that a so-called "third force" exists within the security forces to provoke violence aimed at ANC supporters.

The Weekly Mail's lawyer, Mr David Soggot, told a hearing of the commission yesterday: "There is general evidence...which authorises the inference...that military intelligence has set out on a strategic policy of funding violence and is still bent on that strategy."

However, Mr Justice Goldstone said evidence provided so far did not support charges that the military was continuing to fund violence at present – though he said he would examine all military activities that could have a bearing on current violence. His commission, set up by President F W de Klerk last October, is charged with investigating the causes of violence since July last year.

Israelis rely on diaspora bond buyers for $1.5bn

By Hugh Carnegy in Jerusalem

FETING AND flattering wealthy Jews from the Americas and Europe is a familiar routine for Israeli leaders. Last week there was a keener than usual note of exhortation from those addressing a visiting delegation of leading buyers of Israel Bonds – with good reason.

Israel's politically sensitive request for $10bn in US loan guarantees to help it finance Jewish immigration from the former Soviet Union may attract most of the headlines. But the government is also banking on a big increase in its overseas bonds operation to help it meet foreign funding needs of more than $20bn that immigration is expected to create over the next five years.

This year alone, the Finance Ministry has set a target of $1.5bn to be raised by the sale of Israel Bonds – a 50 per cent increase on the $990m sold in 1991 and twice the value sold in 1990. A fall in immigration figures lately has raised some doubts over the projection of 1m newcomers by 1995. But for the moment the government's demand curve for overseas bond sales is set to go on rising well into the decade.

The pressure to raise more money has forced the Development Corporation for Israel, the New York-based bonds organisation, to look for new sources of investment and tighten its own administrative belt.

Israel has been selling government bonds chiefly to the North American Jewish community since 1951.

To date, a total of some $12bn has been raised through a variety of instruments ranging from a few hundred dollars in value to promissory notes worth up to $1m. The organisation has 40 offices in the US, six in Canada and 22 elsewhere, mainly in South America and Europe. Traditionally the bonds have been sold to and through the diaspora Jewish communities – 1,300 synagogues in North America have served to spread the word – as a means of giving material support to Israel.

Some $200m in mature bonds have never been redeemed by their holders, so accustomed have investors become to regarding the bonds as a gift to Israel.

However, Mr Meir Rosenne, a veteran Israeli diplomat who heads the bonds operation, says it is now time to change the image of the bonds "from a charity to an investment". He notes that $200m in mature bonds have never been redeemed by their holders, so accustomed have investors become to regarding the bonds as a "gift" to Israel.

Already about 30 per cent of Israel Bonds are sold to non-Jewish investors, including regular financial institutions, pension funds and municipalities.

Mr Rosenne aims to increase this and has taken the unprecedented – and expensive – step of advertising in the media. He has also cut his staff from 700 to 540, paring administrative costs to about 4 per cent of sales.

Interest rates, set by the Treasury in Jerusalem, have been kept up, with the zero coupon and variable rate issue bonds, at 7.20 per cent and 7.5 per cent respectively, both well above the current US prime rate of 6.5 per cent.

Jewish communities will remain the key target for sales. To sharpen the appeal, the Israeli government has pledged that all bonds money will be spent exclusively on immigration absorption, and not go into the general budget as before. Still, says Mr Rosenne, the 1992 target is "very ambitious".

Israel's example of selling government bonds overseas has not gone unnoticed by other countries in need of foreign funds.

Egypt, Poland, Hungary and the Ukraine are understood to have studied the operation with a view to launching something similar of their own.

Alliance to promote a Palestinian state

'Dove' parties in electoral pact

By Hugh Carnegy in Jerusalem

THREE Israeli parties which advocate acceptance of a Palestinian state in the occupied West Bank and Gaza Strip have agreed to form a pact in the coming general election which will almost certainly make them the third largest group of MPs after Likud and Labour, the main parties.

As legislation to call an election on June 23 passed smoothly through the Knesset yesterday, the three small parties predicted their alliance would increase their joint representation from 10 at present to at least 15 seats in the 120-seat parliament thanks to the country's extreme form of proportional representation.

The alliance was confirmed when Mapam, a democratic socialist party with three Knesset seats, voted on Monday night to form a combined list of election candidates with the Citizens Rights Movement, with five seats, and Shinui, which has two seats.

Although Mapam's socialist ideology is at odds with the free market beliefs of the other two, their virtually identical views on the overriding political issue of the occupied territories makes them natural partners. They hope to increase the chances of a "dovish" coalition emerging to succeed the hardline government of Mr Yitzhak Shamir.

However, their alliance will more likely damage Labour's already slim chances of defeating the Likud in the race to be the biggest Knesset party. Their acceptance of Palestinian independence, still officially rejected by Labour, poses no threat to Likud's support but could attract more "dovish" Labour voters.

If the more uncompromising Mr Yitzhak Rabin, the former premier and defence minister, ousts Mr Shimon Peres from the Labour leadership later this month, the new alliance of the doves may ultimately make a revived Likud-Labour coalition the likeliest election outcome.

Japan reports surge in illegal immigrants

By Steven Butler in Tokyo

THE NUMBER of foreigners living illegally in Japan increased by 50 per cent to 159,828 last May compared with 10 months earlier, the Ministry of Justice said yesterday.

No reasons were given for the rise but it is seen as a response to Japan's labour shortage.

Many foreigners are working illegally in small manufacturing companies and in the transport. The ministry computed the figures by comparing immigration entry and exit records.

The largest number of illegal aliens were from the Philippines, at 27,226. The count from Korea rose by 86.3 per cent to 25,848, while illegal immigration from Iran surged from 764 to 10,915.

Other countries contributing large numbers include Thailand, China, Malaysia and Bangladesh.

● Mr Sohei Miyashita, Japan's defence minister, said yesterday his ministry would cut Y100bn ($813m) from its current five-year budget to help compensate for Gulf war contributions, Reuter adds.

Japan gave $9bn to the US-led coalition forces fighting to oust Iraq from Kuwait last year.

Opposition parties had demanded a cut in the defence budget as part of a parliamentary deal on the Gulf war funds.

The Defence Ministry said that it—had earmarked Y22,750bn for defence in the current five-year programme to run from April 1991 to March 1996. "I will clearly state that the Y100bn would be cut," Mr Miyashita said.

African trade groups at odds

TWO economic groups in eastern and southern Africa appear locked on a collision course, Reuter reports from Harare.

The 18-nation Preferential Trade Area (PTA) of eastern and southern Africa called last week for a merger with the 10-state Southern African Development Co-ordination Conference (SADCC). But the latter shows no intention of accepting this idea despite a nine-nation overlap in membership.

In an embarrassing clash of dates, the PTA held its annual summit in Lusaka and SADCC its important annual donors' conference in Maputo on the same days last week.

PTA members pledged to seek a quick merger with SADCC. Officials of the SADCC agree there must be greater co-operation, but say there is no suggestion SADCC will disappear.

National Party changes way New Zealand works

Kevin Brown looks at the most radical reform of labour law achieved in any industrialised country

NOT MUCH has gone right for New Zealand's conservative National Party government since it swept to a landslide election victory over the former Labour government 15 months ago.

The economy remains in recession, unemployment has reached 10 per cent and National support has dropped to below 30 per cent in the opinion polls.

However, the government is congratulating itself on the implementation of one of the most radical reforms of industrial relations law achieved in any industrialised country.

The Employment Contracts Act (ECA), which became law in May last year, swept away a century of state regulation of the labour market in favour of a de-regulated system which in effect by-passes trade unions.

Under the old system, which dated to 1894, most wages and conditions were set centrally in negotiations between unions and employers' representatives and were then legally ratified as occupational "awards".

The awards covered all workers in each trade, most of whom were also legally required to be union members. The effect was that bargaining was difficult at company level and almost impossible at plant level.

The ECA scraps compulsory union membership and national awards in favour of single contracts between employers and individuals or groups of workers, which are enforceable under civil law.

New Zealand recorded a 1.3 per cent rise in real gross domestic product in the three months to last September, spurring hopes that the protracted and deep seated recession may have reached a turning point, writes Terry Hall in Wellington.

The rise, the first since December 1989, appears to confirm statements from manufacturers that exports are picking up, and follow other encouraging statistics including a fall on annual inflation to 1 per cent, improving overseas trade figures, and surveys showing rising business confidence.

However, a Statistics Department spokesman said that the rise was not enough to offset declines in real GDP during the previous three quarters and the index was down 2.4 per cent over the year to September.

Employees can negotiate their own contracts or appoint bargaining agents who may or may not be trade unions. Strikes are legal only during contract negotiations but the act sets minimum entitlements for wages, holidays and sickness benefits.

Eight months since the act came into force, it is clear that New Zealand is experiencing a significant shift to productivity bargaining at plant level, combined with a big fall in the number of industrial disputes.

What is more surprising, real wages do not appear to have fallen although reductions in shift premiums and the abolition of penalty payments for evening and weekend work have cut unit labour costs by an estimated 20-25 per cent.

Mr Bill Birch, employment minister, says the first 90 contracts registered with the government show that only 6 per cent of the employees involved received cuts in nominal wages.

The rest received nominal increases of 0-3 per cent, against a background of 1 per cent inflation. That compares favourably with the previous five years during which most workers have suffered falls in real income.

The number of working days lost in disputes fell to 1,404 in the first four months after the act became law, compared with 220,950 in the comparable period of the previous year.

Most observers agree that the reduction was caused by a combination of recession, legal restrictions on strikes and faster resolution of disputes at plant level, where managers and workers can now discuss problems face to face.

The ECA is strongly opposed by the trade union movement, which has lost about 20 per cent of its private sector membership but has been unable to mount any significant industrial action.

The unions have been excluded from the bargaining process in about half the contracts signed so far, many of which were negotiated by an emerging industry of employment consultants – mostly lawyers and former union officials.

Mr Ken Douglas, president of the Council of Trade Unions, describes the act as the "Pol Pot-isation" of industrial relations and accuses the government of trying to re-create Victorian exploitation.

"The act is an attempt to use the pressures of unemployment to pull down labour costs. But it is inequitable because it will hurt the weakest most and it will not work because the supposed productivity gains are illusory," he says.

"They will disappear if the economy ever starts growing again because employers will be unable to resist wage pressures without the co-operation of the union movement. When that happens, the employers will be crying out for a return to collective bargaining."

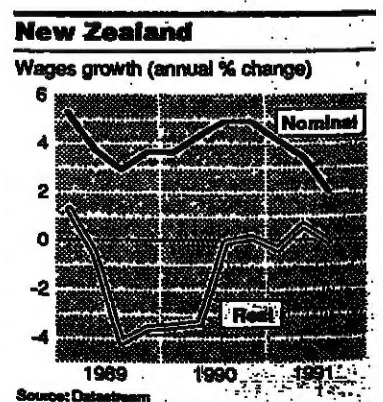
Mr Mike Moore, the Labour leader, says the act has weakened social justice by removing the unions "from the factory floor to the car park". Labour says it will seek an economic agreement with the unions if it wins the next election, due in 1993.

On the employers' side, the ECA has been strongly welcomed by the Business Round Table, a free market think-tank which provided much of the intellectual justification for the act.

"The whole thing has been a real good-news story. All the huffing and puffing was over in 24 hours and there has been a surprisingly quick move towards individual contracts with very little industrial disruption," says Mr Roger Kerr, the Round Table director.

However, the act is viewed more cautiously by some employers, many of whom were not prepared for the problems of negotiating directly with their employees.

"It has been a nuisance that management time has had to be spent on the issue," says Mr Jon Hamilton, chairman of CWF Hamilton, a Christchurch engineering company. "Some employers have been using the Act to screw down wages but we don't want to do that unless we are driven to it."



WORLD TRADE NEWS

Hills reticent on time-scale for Nafta deal

By Damian Fraser in Mexico City

MRS Carla Hills, US trade representative, ended a two-day trip to Mexico without offering any clear commitment that a North American free trade agreement (Nafta) would be presented to Congress this year, only saying: "If we get a good agreement, I think it will be presented [before the US elections]".

She would not comment on what constituted a good agreement, nor how likely it was one would be reached. Repeating a familiar line, she claimed the "content or the substance in the agreement will drive the deadline", not vice-versa.

The absence of anything more specific at this stage suggests US officials are at best undecided whether to present Congress with an agreement before the November presidential and Congressional elections.

Mr Albert Bustamente, a Texan congressman, stressed the uncertainty over prospects of a Nafta when he said an accord might not be reached this year, but could be wrapped up in two or three years.

Mr Jim Kolbe, a congressman from New Mexico, said the elections and weak state of the US economy could delay signing of the treaty.

Despite uncertainty over when a treaty will be presented to Congress, the trade negotiators are still working to resolve remaining differences, currently meeting in Ottawa. Mexican officials, who earlier said a completed draft could be ready by January, now say it will be ready by the end of this month or in early March.

This raises the prospect that

Hills: familiar line

a completed treaty will be initialled in the next few months. But speculation is growing that President Bush, citing lack of time, would wait until after the elections before presenting the document to Congress. Mrs Hills' remarks have not dispelled that speculation.

This would be thought acceptable by the Mexican authorities, who would have something concrete to show for the enormous political and economic risk President Carlos Salinas de Gortari took in proposing a free trade agreement in June 1990.

Mrs Hills and members of her delegation met President Salinas and the ministers of trade, finance, agriculture, ecology and labour. She described her visit as "not at all a negotiation, "a very good 30 hours".

Cocom in new talks on E Europe

WESTERN trade officials meet today and tomorrow to discuss how their plans to cut red tape for exports of sensitive high technology to the former Soviet bloc should respond to collapse of the Soviet Union, William Dawkins reports from Paris.

The debate will take place at the twice-yearly executive committee of Cocom (the Co-ordinating Committee for Multilateral Export Controls), set up in 1949 to stop sales of militarily useful technology to the former Soviet Union. Cocom members, Nato minus Iceland plus Japan and Australia, agreed to cut the number of controlled goods substantially last spring, following the political changes across eastern Europe.

A special class of even lighter controls were also accorded to the three European countries considered to have made the biggest steps towards democracy; Poland, Czechoslovakia and Hungary. Exports to them benefit from faster licensing procedures.

But security worries caused by last August's Soviet coup attempt and the break-up of the Soviet Union have caused several Cocom members to delay reducing their own national technology export curbs to the former Soviet territories, officials say.

Unctad aims to be more flexible

By Frances Williams in Geneva

SOME 2,000 delegates from over 150 countries gather this weekend in the Colombian resort of Cartagena de Indias for the eighth United Nations Conference on Trade and Development (Unctad). While the agenda of the meeting, which runs from February 8-25, is stuffed with worthy development issues, the key topic of discussion will be Unctad's future role.

Mr Kenneth Dadzie, Unctad's Ghanaian secretary-general, said yesterday he expected Unctad VIII to pave the way for a more effective, relevant and flexible organisation. Industrialised countries, notably the US, have been highly critical of Unctad in recent years, regarding it along with much of the UN system as anti-western and unproductive.

Created in the mid-1960s, Unctad's grand themes strike few chords today. International commodity agreements and price stabilisation provisions have bitten the dust (only that on rubber is still functioning as designed, with doubts whether it will be renewed). The buzz-words now are "dialogue" and "study group", one grouping producers and consumer of copper was approved last month.

Unctad's major achievement in shipping, the cargo-sharing accord designed to boost developing countries' share of world shipping, applies to 1.5 per cent of world cargo traffic. Developing countries have done better by competing in the market.

On trade, the initiative has switched to Gatt, where over 70 developing countries are negotiating in the Uruguay Round of trade talks covering services, intellectual property protection and goods. Suggestions that Gatt might expand its role to police global competition rules could lead to annexation of another Unctad responsibility, restrictive business practices.

Finally, Unctad's one-time stress on development through government intervention and import substitution at home and huge transfer of resources from rich to poor internationally finds no echo in the current US-dominated "new world order".

Thus, for the first time, an Unctad conference will be discussing the crucial development role of domestic policies, "good management" (including honest government) and political freedoms, with the fashionable theme of sustainable development though environment-friendly growth.

Yet neither rich nor poor countries want to see Unctad disappear. It remains the primary UN forum for debate on development in an international context, and a useful umbrella body for the more modest accords on commodities, shipping, insurance and

Dadzie: cautious

south-south trade now emerging.

But to survive, the agency must undergo a radical shake-up in its objectives and working methods. All countries agree that in the past, Unctad has squandered much energy, resources and goodwill in fruitless wrangling over issues of little importance, partly because its confrontational "block" system obliged industrialised nations and developing countries to speak as distinct groups. In the run-up to the Cartagena meeting, both groups have announced their own demise in favour of forming flexible alliances reflecting diverse country interests.

The US and other rich countries favour Unctad turning into an OECD-type organisation concentrating on analysis of development issues, with the emphasis on promulgating lessons from successful developing-country experience. Consensus-building, not just negotiation, should be the aim.

Developing countries want a bigger role for negotiations in Unctad and an analytical focus on providing an alternative development perspective to that of the western-dominated IMF and the World Bank. But the basis of agreement at Cartagena exists.

For that to be translated into a vigorous future role, Unctad may need changes in style as well as substance. Other UN agencies have, for example, been more outspoken on democratisation and respect for human rights as basic conditions for development. The IMF has weighed in more strongly on the scope for military spending cuts.

Mr Dadzie, a career diplomat, has picked cautiously through the ideological minefields since becoming Unctad's head in 1986. Whether he will be rewarded with another stint in office when his current term expires in March will no doubt be the gossip at Cartagena.

Italians win plant order for Belarus

By Haig Simonian in Milan

FILTECO, an Italian specialist producer of textile machinery, has won a $125m (£69m) contract to build a turnkey plant for nylon fibres and carpets in Belarus, part of the former Soviet Union.

The contract will raise by 50 per cent the output of nylon fibres at P O Chimvolokno Grodno, the biggest nylon fibres producer in the ex-Soviet Union. The company makes about 40,000 tonnes of nylon fibres a year, for carpets, tyres and other industrial products.

Output involved in the first $26m tranche of the deal is already under way, with payment under a combination of cash and goods. A downpayment has already been made in hard currency, while the balance is to be covered by supplies of Belarus products, to be sold by Filteco.

According to Filteco, the goods concerned, principally fertilisers and polymers, have been pre-sold, allowing production for the entire contract to go ahead, and avoiding the need for export credit guarantees from the Italian authorities. Completion of the first tranche is due by July 1993, with the whole project expected to be completed within five years.

Pact opponents claim 'secret' negotiations

By Nancy Dunne in Washington

OPPONENTS of the North American Free Trade Agreement are attacking the Bush administration for "operating in secrecy" by refusing to disclose the time and place of the next Nafta ministerial negotiation.

The meeting between the trade ministers of the US, Canada and Mexico is believed to be scheduled for Sunday and Monday in Annapolis, Maryland.

Mr Craig Merrilees, co-director of the Fair Trade Campaign, a coalition of Nafta foes, said that "citizen groups, even if they don't command much respect in Washington, have a right to know what their government is doing.

"The administration is trying to keep this out of the public's eye by controlling the media and providing as few details as possible. This is a negative story to them, so they are trying to control the message."

The Fair Trade Campaign represents consumer, environment, labour, church and family farm groups, who oppose the trade pact out of concern about job losses and possible environmental damage. They have made some gains in Washington in recent weeks among some important environment groups, which originally supported extension of the fast-track negotiation, but now believe their advice is being ignored by Mrs Carla Hills, US trade representative.

Congressman Robert Matsui, a California Democrat who has supported Nafta, is urging the administration not to bring it up for a vote this year. "The president runs the risk of turning this into a partisan issue and ultimately losing it," he said at a conference in California. "The mood in Washington is more protectionist than I've seen in my 13 years here."

Previous trade negotiation in Seattle and Mexico generated large protests from opponents of Nafta, who believe the administration is trying to avoid demonstrations of this kind in Washington this weekend.

Mr Merrilees said there would be some protesters wherever the meeting was held. "They can run but they can't hide," he added. "The administration's arrogance should be challenged. This is not the right way to make a major policy decision in this country. This is the kind of game that is played in Mexico."

Uruguay Round has Easter deadline, says Andriessen

By Robert Graham in Rome

THE international trading community had a "window of opportunity" until Easter to reach a basic agreement on a final package in the long-delayed negotiations of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), Mr Frans Andriessen, vice-president of the European Commission, said yesterday.

Addressing a two-day conference in Rome on Italy's foreign trade, Mr Andriessen said that if an agreement could not be reached by Easter, the US presidential campaign "with its announced heavy stress on isolationism and protectionism, will thereafter probably close that window for the remainder of 1992".

He insisted it was essential for the EC to make a final effort "to reach the best possible consensus across the board".

But he warned that the EC's final efforts to compromise had to be matched by parallel engagements and concessions by all the main trading partners in the Gatt.

"There are no chances of a negotiated deal without the Community; but even lesser chances of a deal negotiated against the Community," he added.

The proposals put forward by Mr Arthur Dunkel, director-general of Gatt, had required "substantial improvements, notably in the field of agriculture". The EC, he claimed, was being asked "what we cannot deliver; and what we can deliver is not accepted by our partners".

Contrary to a number of "misleading" reports, the Commission was not eager to get a deal at any price and Brussels did not accept deadlines " as blind dates".

Although he recognised the need for mutual compromise, there was no way he could recommend a deal to the Council of Ministers which did not seem "suitable and profitable to the Community's long-term economic interests".

Contract for phone cable

FOUR companies have announced plans to build one of the world's largest-capacity underwater phone cable systems to link three Caribbean islands, AP reports from Morristown, New Jersey.

The system will be built by AT&T Submarine Systems as a key part of a network linking the Caribbean and Latin America with the US and Europe, scheduled to be completed by 1994. The 112-mile fibre-optic Taino-Carib cable will link Puerto Rico, St. Thomas and Tortola. Cable & Wireless of the UK, Telefonica Larga Distancia of Puerto Rico, and US Sprint Communications of Kansas City, will also work on the project.

AMERICAN NEWS

Failed coup follows growing discontent

Joseph Mann, Reuter and AP on the background to the attempted rebel takeover in Venezuela

THE FAILED coup in Venezuela yesterday took place in an economy that had just recorded its highest growth rate in 27 years – at 9.2 per cent Latin America's highest - but was still unable to feed nearly half its citizens more than one meal a day.

It came with a balanced budget and foreign reserves of $14bn. Inflation, which peaked at 89 per cent three years ago, has eased to about 30 per cent.

But the coup attempt caps a crescendo of anger and frustration over the economic reforms that have written such a macroeconomic success story but have failed to benefit the lives of most Venezuelans and have embittered many.

The rebel troops who for several hours seized the Miraflores government palace and the La Casona presidential residence early yesterday were apparently seeking to take advantage of mounting unrest over price rises and poor public services.

The rebels were no doubt emboldened by a poll published last week suggesting 81 per cent of Venezuelans had little or no confidence left in 69-year-old President Carlos Andres Perez.

Mr Perez has taken pains to try to persuade his people to stoically bear the short-term pain of rising prices that are drawing them to the streets in a surging wave of strikes and protests.

About a dozen students and two policemen were killed in demonstrations last year and more than 100 vehicles were burned. News of disturbances brings fears of a repeat of 1989 riots over price hikes in which at least 300 people died.

The protests, observers say, stem from the government's failure to match the pace of reforms with social programmes that would ease the impact of economic adjustments.

President Perez, who as populist president in the 1970s implemented many of the measures he is now trying to scrap, won full backing from international lending agencies for abandoning state interference in the economy in favour of a market-driven system.

After taking office on February 2 1989, he lifted many subsidies, slashed import duties and opened the economy to foreign investment.

He also sought free trade pacts with Latin American nations and the US, and started the slow task of restructuring the public sector through deregulation and privatisation.

But the reforms have yet to improve the lives of most Venezuelans, almost half of whom earn little more than 100 dollars a month.

Food prices have, in many cases, doubled. An increase in petrol prices, resulting in higher bus fares, has sparked student riots. Electricity rates have risen tenfold.

"We think it's the right policy but the reforms don't seem to be helping the lower classes," one western diplomat said recently.

Among those who have seen their living standards plummet – albeit from a relatively high level – are the officers and men in a military that long prided itself on staying out of politics.

Drawn primarily from the poor and middle classes, in the past few years it has seen its pay eroded by inflation and housing allowances and other privileges trimmed as part of the overall belt-tightening.

The assault on the government, in which soldiers from at least six army units participated, was aimed at assassinating President Perez, who only two days earlier marked the third year of his five-year term.

Little is known about the rebels other than their intention to overthrow the current administration and install a new regime.

One who was captured, identified as Army Comandante Chavez, sent a televised message to the rebels who were still fighting at midday yesterday, calling on them to give up to halt further bloodshed.

Their goal of seizing power in the capital "for now, unfortunately, was not achieved", he said. He did not say – or was not allowed to say – what motivated his group's actions.

The coup attempt was violently crushed by units of the Venezuelan armed forces who remained loyal to Mr Perez, their constitutional commander-in-chief. These loyal units represented the bulk of of Venezuela's armed forces.

Since the last military dictator was ousted in 1958, the great majority of Venezuela's officer corps has supported the constitutional system under which the military are subject to civilian control and are not permitted to participate in politics.

Loyalist soldiers search rebels after they had surrendered in Caracas yesterday

Venezuela's military often take great pains publicly to assert their allegiance to Venezuela's constitutional order, and to reject any suggestion that military adventurers are interested in assuming power by arms.

The number of attempted coups, openly defiant officers and other anti-constitutional incidents had steadily diminished since the 1960s.

For many years, Venezuelan officers were rewarded for their service via a system that provided them with comfortable pay, government-subsidised plans for acquiring homes, cars and furniture, as well as other benefits. Generals and admirals are retired after 30 years of service – sometimes in their early fifties – with substantial pensions and continued access to many benefits.

Since 1989, life in the armed forces has become considerably less comfortable, especially for middle- and lower-level officers. Career officers have suffered from the same economic problems – high inflation and lower living standards – that struck most of Venezuela's civilian population since the government initiated its economic reform programme.

The freshly-starched public image of the Venezuelan military has of late become grimy. Over the last several years, the military have become fair game for media probes of corruption, and a number of high-ranking officers (usually retired) have been implicated in scandals.

Pérez: populist president

Washington to replace United Nations envoy

By Lionel Barber in Washington

MR Thomas Pickering, the highly regarded US envoy to the United Nations, is to leave his post this summer to become ambassador to India – a move which has surprised observers in New York and Washington.

He will be replaced by Mr Ed Perkins, the 63-year-old director general of the Foreign Service. Mr Perkins, who is black, will move into a high-visibility post, one of the few top foreign policy jobs occupied by minorities in the Bush administration.

Mr Pickering's three-year posting was due to end in the summer, but many diplomats thought he might have been asked to stay on. The ambassador, a former US envoy to Israel and El Salvador, played a key role in securing passage of UN resolutions against Iraq.

It seems, however, that he had too high a profile for the taste of Mr James Baker, US secretary of state, who jealously guards every inch of territory in foreign policy.

Officials close to Mr Baker have suggested that Mr Pickering was too quick to claim credit for administration successes and also discussed policy too openly. But this view is dismissed by Mr Pickering's supporters.

"He was totally disciplined," said one.

Another US official said Mr Pickering paid the price for showing an independent mind – although noting he created a power centre like Ms Jeane Kirkpatrick, US ambassador to the UN during the first Reagan administration, and never operated a "back-channel" to the White House.

The envoy's departure comes just as the Bush administration is claiming to support a broader role for the UN in the post-Cold War era.

Mr Pickering was familiar with the details of regional conflicts such as El Salvador, Cambodia and the Middle East – allowing him to play a more influential role than some of his predecessors, many of whom were political appointees.

Greenspan confident of economic upturn in US

MR Alan Greenspan, US Federal Reserve chairman, said yesterday he believed recent interest rate cuts would turn the stagnant economy around by the second quarter, but left the door open for further monetary easing if needed, Reuter reports from Washington.

"We expect the amount of monetary ease in the pipeline is adequate to turn the economy on to the path of sustained recovery," Mr Greenspan said in testimony to the House of Representatives' budget committee.

Mr Greenspan said he expected the economy to pick up in the second quarter and gain steam as the year progressed.

"There should be a quickening in the pace of activity as the year goes on," he said, adding: "We are, of course, continuing to evaluate whether some additional insurance in the way of further monetary ease would be appropriate."

The US economy is beset by rising unemployment and overall lower industrial activity, although economists say the recession has been relatively shallow in most of the country.

The Fed's policy-making Federal Open Market Committee met yesterday afternoon to discuss the course of monetary policy. The committee will report on its deliberations in a week's time.

The Fed startled financial markets on December 20 when it cut the discount rate at which it lends money to banks by a full point. The cut was aimed at stimulating spending.

Mr Greenspan said it was unlikely overall economic activity would slide into a new morass of recession.

Upjohn shareholders to sue company officials over Halcion

OFFICIALS at Upjohn, the Michigan-based pharmaceuticals company, are facing a shareholder lawsuit charging them with concealing information about problems with Halcion, the world's most widely prescribed sleeping pill, writes Karen Zagor in New York.

The company, which recently denied a report that it had concealed data about the drug's side-effects from the Food and Drug Administration, said it believed the shareholder claims had no merit and the company would vigorously defend itself. Mr Theodore Cooper, Upjohn's chairman, and eight directors were named in the suit filed in a federal court in New York.

Upjohn has faced a steady stream of criticism over Halcion since August, when a Salt Lake City woman sued the company claiming she had killed her mother in a fit of Halcion-induced violence. The case was settled out or court for an undisclosed amount.

The latest suit charges the Upjohn officials with mismanagement and proxy fraud. The suit accuses them of exposing Upjohn to liability from civil lawsuits, regulatory fines and penalties, possible criminal liability, and the loss of goodwill, reputation and standing.

News of the suit had little impact on Upjohn's share price by midday in New York yesterday. Mr Sam Isaly, an analyst at Mehta and Isaly, which specialises in pharmaceutical stock, said: "Usually the plaintiffs get some nuisance money but the potential damage is minimal."

Consumer activists in the US have pressed for the FDA to ban Halcion. In November the agency approved sales of the drug in smaller quantities, with inserts advising patients of side-effects.

Upjohn has aggressively defended itself against critics and plans to bring a lawsuit against a Scottish psychiatrist who alleged the company failed to report adequately all of Halcion's side-effects. The UK banned sales of Halcion in October.

Corruption dogs Menem reforms

Slush funds and payoffs are still part of political life in Argentina, writes **John Barham**

ARGENTINA may be changing for the better as it enters its 10th year of civilian rule and its economic reforms continue to bear fruit. But an old problem remains; corruption.

Last month, President Carlos Menem suffered a personal and political reverse when he sacked Mr Miguel Angel Vicco, his private secretary. Mr Vicco is a close friend whom the president had defended against accusations that his dairy company sold putrid powdered milk to the government at inflated prices. In the end, the media outcry became too great and Mr Vicco had to go.

Over the past year Mr Menem has sacked 20 other top officials – including half his cabinet – as seven big corruption scandals rocked the government. Each case was uncovered by an increasingly aggressive press; hardly a day goes by without one of Argentina's four main newspapers publishing a report on government corruption.

It is impossible to tell if corruption is worse than it was under previous governments, but it is certainly discussed more openly than before. Argentines have lost their fear of the state, and the press, which faces few controls, has found that investigative reporting boosts circulation.

Most allegations involve officials who had demanded bribes or awarded suspiciously generous government contracts to favoured companies.

Recent scandals have been particularly damaging as they harm the poor – ostensibly Mr Menem's political base. The powdered milk allegedly sold by Mr Vicco was meant for poor children, while another senior official was dismissed following accusations of corruption at a government health scheme for pensioners.

Corruption is the government's main political weakness; opinion polls regularly find that it is among the main concerns of the people. Mr Menem invariably worsens the problem by first defending compromised officials only to sack them shortly after, giving the impression that he is more interested in limiting political damage than punishing offenders.

He has been accused of surrounded himself with cronies steeped in the politics of intrigue, intimidation and patronage. Slush funds and payoffs have always played an important role in the underworld of Argentine politics, but the government has done nothing to crack down on political "foundations" used to channel illicit funds to politicians.

To his credit, however, Mr Menem does acknowledge that corruption exists – his predecessors merely turned a blind eye to the problem – and is attacking its roots by privatising state companies, slashing red tape and cutting back the civil service.

A year ago Mr Menem announced a "crusade" to rid the government of corruption. But his proposals languish in Congress, while others have proved ineffective or stillborn. And instead of spurning purged officials, some remain close to the president.

Mr Menem has always said corruption should be investigated by the judiciary. However, it is riddled with political appointees, beginning with the Supreme Court where Mr Menem added five new justices in 1990, guaranteeing a government majority.

Other nominally independent control agencies are also headed by sympathetic appointees. It often seems the press is Argentina's only active and independent watchdog.

Mr Menem remains surprisingly immune to scandal. This is largely because Mr Domingo Cavallo, his economy minister, has delivered low inflation and economic growth, which has buoyed the government's popularity.

But corruption could yet undermine the government's political standing.

Mr Menem is gearing up to reform the constitution to allow re-election when his term ends in 1995. Voters support economic reform despite misgivings about corruption. However, as one western diplomat warned: "If Menem does not fix corruption, it is going to drag him down."

Power users face legal action over bills threat

By Deborah Hargreaves

INDUSTRIAL electricity users could face legal action if they go ahead with their threat of refusing to pay the nuclear element in their annual power bills when contracts are renewed in April.

Large consumers say they will not pay the nuclear part of their bills which amounts to 11 per cent of the total power charge, in protest at electricity price increases. But the UK generators and regional electricity suppliers must pass on the levy to the government and could sue the users to recoup their money.

Mr Jim Keohane, director of energy contracts at East Midlands Electricity, said, "We won't do anything precipitous, but if they don't pay the levy, then we can start charging interest on any part of the bill that is unpaid or we might institute legal proceedings to recover our money."

Mr Keohane said he was sympathetic to the concerns of the major users since they will be facing large price increases in April, largely due to the rise in price for wholesale electricity in the so-called "pool".

The UK generating companies, National Power and PowerGen, say pool prices must rise to reflect their costs. PowerGen called the £1.2bn nuclear levy "unjustifiable". "It's unfair that customers and taxpayers should pay for keeping open old nuclear plant," the company said.

Industrial users' electricity bills are made up of four main components, but charges for power make up more than 70 per cent of the total. The other elements include the distribution charges for using regional companies' wires and the transmission cost of using the national grid, as well as the nuclear levy.

National Grid, the company which runs the UK's transmission system, said yesterday it will keep the cost of using the grid the same – on average – this year as last year. This element makes up about 5 per cent of an end-users' costs.

The Major Energy Users Council will meet Mr John Wakeham, the government's energy secretary, next week to express concern about electricity prices.

"We are going to say to him, we cannot live with these prices. What are you going to do about it?" said Mr John Topliss, who heads the council's electricity group.

The row over electricity prices is likely to be politically embarrassing for the government, which is looking for signs of industrial recovery in the run-up to the general election. But Mr Wakeham is unlikely to impose a price cap on electricity charges as the users are demanding.

Labour seeks reform of public borrowing

By John Willman and David Owen in London and David Gardner in Brussels

THE opposition Labour Party is considering redefining Britain's public sector borrowing requirement (PSBR) to exclude funds raised for some types of investment in transport and housing.

Labour is also exploring new ways of improving public bodies' access to private funding, including making it easier for local authorities to raise finance directly from the capital markets.

The aim would be to allow an incoming Labour government to increase spending on transport and housing without raising the PSBR, a key indicator of government economic performance.

The two-pronged approach may eventually have broader applications. One senior Labour politician suggested yesterday that access to joint public and private financing could be granted more freely without undermining the prudential approach to public spending that the party is seeking to convey.

The party firmly denied any link between its spending plans and proposals to make the UK's public accounts more transparent, saying the two had "no connection whatsoever".

Labour treasury frontbenchers insist that the only new expenditure which will be sanctioned immediately after an election would be on child benefit and state pensions. But the party is keen to find ways of increasing investment in public services which would not count as public expenditure, as in many other European Community countries.

One potential source of finance would be local authorities' £8bn of capital receipts from the sale of council houses.

The EC is expected to develop standard measures of performance – including those for government borrowing – under the rules for economic convergence in the treaty for economic and monetary union.

Mr John Smith, the shadow chancellor, who was visiting the European Commission in Brussels, said that there were no plans to change the PSBR. But other sources confirmed it was the party's strong intention to release local authorities' capital receipts for housing purposes.

The party is also considering separating current spending from capital investment in a further reform of traditional public accounts conventions.

Both forms of expenditure are currently lumped together within the PSBR. Though the idea of separating them has been floated widely in recent years. On the spending side, the party is contemplating extending the right of local authorities to raise long-term finance by issuing municipal bonds.

Lamont urged to cut taxation ahead of poll

By Philip Stephens, Political Editor

AN overwhelming majority of Conservative MPs want Mr Norman Lamont, the UK chancellor of the exchequer, to give a pre-election boost to the economy by cutting taxes in his March 10 Budget.

An FT survey of opinion among the government's supporters at Westminster shows that those favouring tax cuts outnumber by more than three-to-one those who would prefer higher public spending to stimulate the economy.

The results - gathered from detailed questionnaires returned by 107, or nearly a third, of Conservative MPs - come amid widepread acknowledgement that the economy's emergence from recession has been further delayed.

Senior officials acknowledged yesterday that the Treasury was revising down its growth forecasts in the approach to the Budget as the recession provoked another fierce House of Commons row between Mr John Major, the prime minister, and Mr Neil Kinnock, the leader of the opposition Labour party.

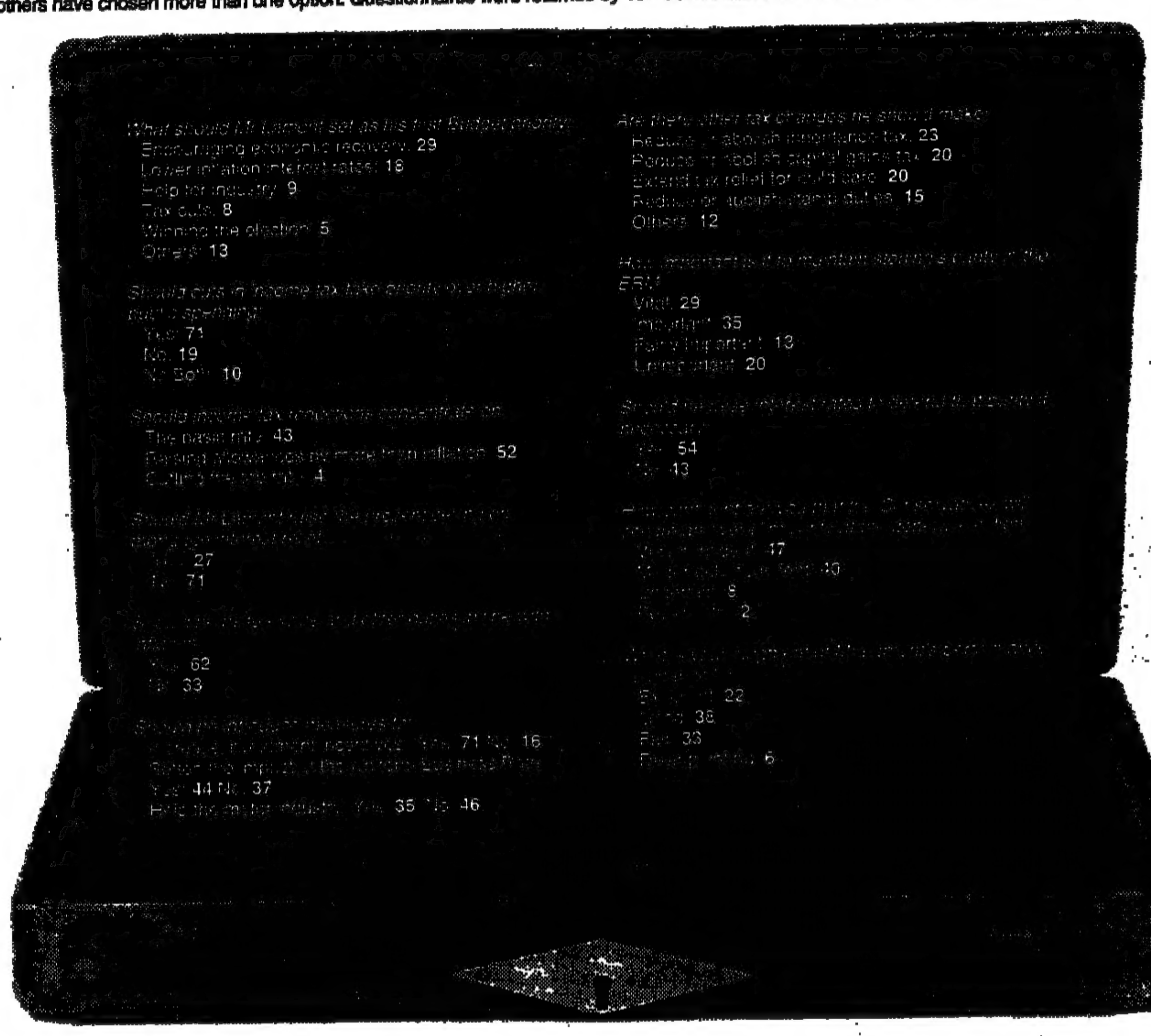
Mr Kinnock accused Mr Major of being responsible for the longest recession since the 1930s, while the prime minister hit back by accusing the Labour leader of "economic illiteracy".

The officials acknowledged that slower growth would mean a higher public sector borrowing requirement, but pointed out that it would also strengthen the case for use of the "fiscal stabilisers" which would allow a higher budget deficit. That is the traditional Whitehall code to indicate there should still be room for tax cuts.

The FT poll coincides with an intense debate among senior ministers on whether the chancellor should make a cut from 25p to 24p in the basic rate of income tax the centrepiece of the March 10 Budget. The growing number in favour argue that since Labour is pledged to reverse such a reduction it would provide the Conservatives an ideal platform for an April 9 election.

What Conservative MPs want in the 1992 pre-election Budget

Results shown in rounded percentages. The totals do not add up to 100 because in some cases the MPs have not answered every question and in others have chosen more than one option. Questionnaires were returned by 107 Conservative MPs between January 20 and February 3.



Some 71 per cent of the MPs believe that the chancellor should reduce income tax, against 19 per cent who would prefer an increase in public spending. Last night the backbenchers were putting that view directly to Mr Lamont and his Treasury team at a meeting in Westminster.

Of those seeking tax cuts a small majority - 52 per cent against 43 per cent said - they would prefer an increase in the thresholds at which people begin to pay tax rather than a lower basic rate.

Despite constant reminders from the Treasury that there will be only limited room for maneouvre, an overwhelming majority of respondents to the survey also want the chancellor to introduce new measures to increase investment.

There are also strong lobbies urging the chancellor to boost their chances of winning the election by extending tax relief for working mothers and by announcing reductions in inheritance and capital gains taxes.

The survey shows that despite criticism of his presentational skills, Mr Lamont retains the support of a strong majority on the government benches. Over 60 per cent rate his performance as excellent or good, against the 32 per cent who said it was fair and the 7 per cent who regard him as a disappointing chancellor.

Management skills seen as best qualification for Europe

By Catherine Milton, Labour Staff

BRITISH workers with management or technical expertise will have more opportunities to work in Europe than any other profession following the creation of the single European market, according to a survey of more than 200 Scottish employers.

The survey, focusing on the implications of the single market for vocational education and training, found that 40 per cent of staff hired to work in other EC countries were recruited for management or technical posts.

The report, prepared for the Industrial Relations Journal, claims that among service industries, more than 50 per cent of companies surveyed expect to recruit staff from other EC countries, compared with 40 per cent of manufacturing and construction companies.

More than a quarter of employers, meanwhile, admitted they had lost staff to other EC countries. The survey suggests, however, that this is an underestimate as many companies do not monitor the career paths of former employees. Looking ahead, however, more than 40 per cent of the companies questioned said they expected to lose staff to other EC countries in the future. Of those companies, more than 50 per cent said managers, recent graduates and skilled manual workers were the most likely to go.

Among the employers questionned, 50 per cent believed the completion of the single market in 1993 would make no difference to their local recruitment strategy.

But a substantial minority – 45 per cent – believed recruitment would be affected. This view is widely held by larger companies, those with more than 100 employees. These companies also have a better understanding of the European labour market, the survey adds.

A third of the companies taking part in the survey said they employed staff from other EC countries. The largest companies (those with more than 500 employees) and those which already have with EC links are most likely to recruit more staff from EC states.

Expanding business with such countries was cited by 20 per cent of employers as the reason for recruiting staff from the community , while almost 20 per cent of employers who said they always recruited the best person for the job.

The Single European Market and labour mobility, Industrial Relations Journal, Volume 23, No 2, Spring 1992, by subscription from Blackwell Ltd, 108 Cowley Road, Oxford, OX4 1JF.

Warning for Granada from head of independent TV

By Raymond Snoddy

GRANADA GROUP last week gave a written commitment to the Independent Television Commission that Granada Television would honour the terms of its licence in spite of the forced resignation of Mr David Plowright as executive chairman.

The pledge by Mr Alex Bernstein, chairman of the parent company, was submitted in case Granada's undertakings on programme quality in its successful application for a new 10-year licence were called into question.

Mr George Russell, ITC chairman, signalled the ITC's concern last week when he warned that Granada's decision to remove Mr Plowright was a mistake that could have serious commercial implications for the company.

The remark was made, it is believed, at a private meeting at the ITC between Mr Russell, Mr Plowright and Mr Andrew Quinn, who becomes chief executive of Granada TV after Mr Plowright leaves at the end of this month.

The effective dismissal of Mr Plowright, which was announced on Monday, came after he had led Granada's successful application for a new licence despite being heavily outbid by Mr Phil Redmond's Northwest Television.

Mr Plowright, who worked for Granada more than 30 years, is one of the most respected figures in UK commercial TV, was told by Mr Gerry Robinson, Granada's new group chief executive, that he had to resign.

Mr Plowright was so devasted by his effective dismissal that he asked Mr Quinn, who was not involved in the decision, to take over immediately. Mr Quinn, who has worked at Granada for 27 years, argued that the ITC had to be told about the decision and a meeting with Mr Russell took place on Thursday. The ITC last night declined to comment on what was discussed at a private meeting.

On Monday, senior programme executives at Granada said that the peremptory removal of their chairman had "undermined the confidence of the senior programme management in the intentions of Granada Group to honour the licence commitments required by the Independent Television Commission".

Mr Bernstein, irritated that Mr Plowright's removal was being interpreted as a case of "profits before quality", said: "I am surprised that people assume we are going to stop making quality television and stop making a major contribution to the ITV network. We will continue to do both".

UK house sales fall by 7% in 1991

By Andrew Taylor, Construction Correspondent

THE NUMBER of house sales in Britain fell 7 per cent to 1.24m last year, compared with 1.34m in 1990, according to figures published yesterday by James R. Adams, the independent research consultant.

Transactions last year were 40 per cent lower than in 1988, when the housing market was at its peak.

The figures underline the depth of the recession in the housing market, which in the last few weeks has seen a renewed surge of interest from prospective house purchasers.

The consultants said sales in an average year would be about 1.5m, or 20 per cent higher than in 1990 and last year.

The consultant added that the latest figures had been calculated from a sample of 12,500 transactions involving more than 20,500 individuals and submitted by a panel of more than 100 solicitors.

They showed that house sales dipped sharply in October, November and December after rallying in the previous three months.

Mr Jimmy Adams, the chairman, said: "It takes several months to complete sales after purchasers have agreed to buy. It is therefore likely to be early summer before we can be sure whether the current upsurge in interest has resulted in higher sales."

According to the consultants' sales in the final three months of last year fell 10 per cent to 301,581 compared with the previous three months. Sales were 12 per cent lower than in the final three months of 1990.

The cash value of sales last year was £77.27bn compared with £80.08bn in 1990 and £114.92bn in 1988. The percentage of properties bought for cash has fallen from 19.1 per cent in 1988 to 14.2 per cent last year. Loans accounted for 71.3 per cent of purchases last year, compared with 66.8 per cent four years ago.

People moving from one region to another accounted for 17 per cent of house sales last year, although most people did not move far. The largest group of people moving between regions was from London to south-east England.

The second largest group was people moving from south east to south west England.

The survey also showed that nearly three quarters of people moving paid more for their new home than their old one in spite of lower prices in London, southern England and in Yorkshire, said the consultants.

Most builders and estate agents, meanwhile, expect the number of house sales to increase this year as buyers which have been staying out of the market years begin to take advantage of lower prices. Few, however, expect prices to increase this year.

A survey of 27 housebuilders conducted this month by stockbrokers Barclay de Zoete Wedd revealed that almost two thirds of the companies had seen an increase in activity since the New Year. Seventy per cent of the builders expected sales to increase this year while 67 per cent said house prices were unlikely to increase even if sales rose.

BRITAIN IN BRIEF

Labour plans to cut size of school classes

A NEW commitment to ensure that there were no classes with more than 40 pupils within a year of a Labour government coming to power, was made in an opposition offensive on education yesterday.

Mr Jack Straw, Labour's education spokesman, said that the pledge would cost about £3m, and would affect 9-10,000 children. The money could be found from within the existing plans for education spending, for example from the funding earmarked for City Technology Colleges.

Launching a new campaign document, 'Modernising Britain's Schools', Mr Neil Kinnock, the Labour leader, said that a continuation of Tory policies would mean "more of the same back-of-the-envelope chopping and changing, and a persistently undervalued and underinvested state system".

The second education initiative in as many days, the move forms part of Labour's continuing effort to turn the political debate on to public service issues which are traditionally their stronger ground.

Reserves fall by $336m

The underlying level of Britain's gold and foreign currency reserves fell by $336m in January, indicating gentle intervention by the Bank of England to support sterling over the month.

The drop was more than the $150m fall expected by most City economists but left outstanding reserves at a healthy $44.6bn at the end of the month compared with $44.1bn at the end of December.

The underlying figure, which is net of borrowings and payments, is a rough indicator of the level of intervention by the Bank of England in foreign currency markets in supporting the value of the pound. Sterling came under pressure in early January amid fears that it would dip below its effective floor in the Exchange Rate Mechanism of the European Monetary System. The currency's weakness sparked speculation that the Bank would have to intervene heavily to support the pound and that the government would be forced to raise interest rates.

UK rejects green tests

The government has come under attack for its reluctance to accept proposals that its policies – including agriculture, energy and transport – should be subjected to a "green test" for their impact on the environment.

The proposal is in the initial stages of discussion in the European Commission but no early decision is expected. It would entail governments of member states carrying out environmental impact assessments on their national policies. At the moment such assessments apply only to big construction schemes.

A political row was sparked off when an early Commission draft which has been circulating round Whitehall was shown to members of the opposition parties.

The Department of the Environment said that at the moment the proposals were too convoluted, not flexible enough and would need big resources to put into effect.

Unknown group makes radio bid

A previously unknown radio company, Independent National Broadcasting (INBC), has submitted the highest bid out of five applicants for the UK's second national commercial radio channel.

INBC bid £4.01m a year for the franchise, more than double the second highest bid of £1.883 submitted by Independent Music Radio, a joint venture between Mr Richard Branson's Virgin Communications and TV-am, the commercial breakfast television station that recently lost its franchise.

INBC plans to broadcast pop and rock music from headquarters in Sheffield, northern England.

Executive jailed for corruption

Mr Colin Stuart, managing director of Dutton, the Wrexham engineering company, has been sentenced to nine months' imprisonment for corruption.

Mr Stuart, 57, of Chester, had pleaded guilty at Southwark crown court in London to bribing an agent of [illegible] Chemicals, the US chemicals producer, in July 1990. The bribe was to end a dispute over payment for work carried out by Dutton.

Judge Gerald Butler ordered Mr Stuart to pay £5,000 towards prosecution costs.

Engineers get roving diplomat

Sir James Hamilton, an aeronautical engineer and former director-general of the Concorde project, has been named as the "roving diplomat" to help establish a new single body that will act as a focus for the engineering professions.

Sir James, former permanent under-secretary of state at the Department of Education and Science, will be executive member of a steering group announced last month as the next stage in a plan to resolve problems caused by the UK's fragmented professional engineering structure.

Over the next year, the steering group will consider the formation, role and organisation of a new single body. Agreement for the steering group came at a meeting in January of 41 presidents or deputy presidents of the 48 engineering institutions and the Engineering Council, their current umbrella body.

Travel agents optimistic

Most travel agents are optimistic about business prospects this year, according to a survey carried out for Hertz, the car rental company.

The survey of 200 travel agents, carried out last month, is in line with reports from package tour operators that the holiday market appears to be unaffected by the recession.

The survey found that 72 per cent of travel agent multiples were more optimistic about business compared with three months previously. Nineteen per cent were less optimistic and 9 per cent reported no change. Eighty per cent of independent travel agents were more optimistic, with 10 per cent less optimistic and 10 per cent saying they saw no change.

Barlow Clowes jury retires

The jury in the Barlow Clowes fraud trial has retired to consider its verdicts.

The prosecution, brought by the Serious Fraud Office, has alleged that Mr Peter Clowes and his three co-defendants milked the funds of clients who believed their money was being invested in gilt-edged government stock.

It is alleged the money was spent on investments in other private and public companies and on luxurious purchases such as a yacht, an executive jet and a chateau and vineyard in France.

Mr Peter Clowes, Mr Guy Cramer, Mr Petar Naylor and Mr Christopher Newman are accused of stealing £16.9m from people who invested in offshore funds.

Mr Clowes, Mr Naylor and Mr Cramer are also jointly charged with conspiring to contravene section 13(1) of the Prevention of Fraud (Investments) Act, which deals with false statements made to induce people to invest.

Mr Clowes alone is accused of eight offences under the subsection. They deny all the charges.

Business faces debt problems

The campaign in favour of giving businesses an automatic legal right to charge interest on overdue debts will make the problem of late payment worse, the Credit Protection Association warned yesterday.

Businesses which charged interest would simply be lending money where the banks would not, according to Mr David Lee, sales manager for the association, a commercial organisation providing credit management advice and debt chasing services to customers.

Pressure for a change in the law has been led by the Forum of Private Business, which has 18,000 members, while Lord Alexander, chairman of National Westminster Bank said last November that legislation might be needed if all else failed.

Mortgage tax relief challenged

Mortgage interest tax relief should be phased out and replaced with a new housing cost allowance, targeted at the lower paid, and covering both rents and mortgages, according to the Liberal Democrats.

The party's "Manifesto for Housing" said mortgage tax relief had created "enormous economic and social problems without actually being of benefit to home owners".

Mike Anon

Ray Fearon as Othello in a swift, muscular production

Othello

EVERYMAN, LIVERPOOL

The Everyman, Liverpool has taken a bold course with Shakespeare's *Othello*. It has been pared down to the basics, the text cut to just under two and a half hours on stage. The result is a fine, swift, muscular production which brings out the play's essentials at surprisingly little discount to the full (three and half hour) version.

The set and design are apt for this incisive performance: just bare boards, white curtains, and a few effects to feed the orderliness of Iago's mind and the bedlam of Othello's. Warm pools of light in the blue gloom, and a wonderful improvised storm are the extent of the technical additions. The setting is the Italo-Turkish war of 1911-12, the costumes militaire, and the ethos martial.

The danger with cutting *Othello*, a play which Dr Johnson thought "a drama of the most exact and scrupulous regularity", is that Othello's credulousness scarcely has time to meet Iago's guile before the conclusion. At times here the action skims the surface of Shakespeare's text, uprooting the characters from their own language: so Othello's "The pity of it" or Iago's "put money in thy purse" are discoveries rather than reminders.

However, at the price of removing the suspense, John Doyle's stern direction follows a single path of energy into the play; the Iago-Othello relationship. The whole action turns on the words, "Ha, I like not that" as Iago casually traps Othello (he speaks of Cassio's leaving Desdemona). All the elements of the play fuse around that moment, and it is brilliantly delivered and pursued.

Ray Fearon's Othello is welter-weight rather than heavyweight, ardent in affection and obdurate in revenge, but never calamitously in love with Desdemona. Opposite him, Gillian Kearney plays a sweet, biddable Desdemona. Between them, Tony Turner as Iago conjures a pasty-faced and gimlet-eyed malice which takes him to the final scene as a believable villain. His interchanges with Fearon and his frank soliloquies fuel the production's energies; his treatment of Emilia (well played by Joanne Stoner), her virtue loosely worn but not yet cast aside, is all cruelty.

As Trevor Nunn's rigorous 1989 RSC production showed, Shakespeare offers few compensations in *Othello*. The intellectual satisfactions of the two equally exhausting plays he wrote before and after (*Troilus & Cressida* and *Timon of Athens*) redeem the violence of their worlds. In *Othello* however, Iago removes all palliatives, and this Everyman production leaves one thinking, of Othello's jealousy, "All this the world well knows, yet none knows well to shun the heaven that leads men to this hell.

Andrew St George

Dramatic chronicles from Moscow

The idea to found the Moscow Art Theatre, for decades a legend, was conceived a few years before the First World War by Konstantin Stanislavsky and Vladimir Nemirovich-Danchenko during a lunchtime meeting in a Moscow restaurant which lasted for 18 hours.

The two men understood that the fate of the as yet unborn theatre depended entirely on their unshakeable friendship. Whether they could maintain it must have seemed an open question to both of them; although their faith in the realisation of the dream did not wane. As for the deep differences between Stanislavsky, the theatre man through and through, and Nemirovich-Danchencko, the literary intellectual, both believed they would avoid all dangers by a division of power: Nemirovich's view would decide all literary questions, while disagreements on questions of production would be decided by Stanislavsky.

During the next 40 odd years another Moscow Art Theatre followed the first, and then a third one, RAPP. The language began to be dominated by such bundles of capital letters (RAPP stood for "Revolutionary Association of Proletarian Writers), but Anton Chekhov, whose conversion to the theatre was one of the new venture's first achievements, was still part of the repertoire, next to his friends Maxim Gorky and Mikhail Bulgakov, the author of the *White Guard*. But Chekhov's plays *The Three Sisters*, *Uncle Vanya* and *The Cherry Orchard* remained through all the changes of time and temper the unforgettable, at any rate still vibrantly living, dramatic treasure of those years.

What mattered most was the growing tension between Stanislavsky and Nemirovich-Danchenko, the bond between them being rubbed thinner and thinner until at last Nemirovich-Danchenko wrote to Stanislavsky in 1938 that "a historian, some theatrical Nestor, not without humour, will say 'Can you imagine: These people, they themselves, destroyed this relationship, fought over it, and history will find this a complete mystery.'"

So massive a collection of letters chronicling this story could have been dull; but of the applause the Moscow Art Theatre has achieved, some part will be shared by Jean Benedetti's excellent book, which contains much of the correspondence among those principally concerned.

From the beginning the Theatre broke with the then dominant style of pedantic naturalism and tried anything and everything that promised good theatre: Russian playwrights, of course, from Gogol to Maxim Gorky and Bulgakov. But ever more foreign authors were performed: Ibsen (a political satire like *Pillars of Society* was a very great success, but Ibsen's dramatic poem *Brand* no less so) and, once the Theatre had moved so far from naturalism, Shakespeare. In 1903 Nemirovich produced *Julius Caesar*, with Stanislavsky as Brutus.

THE MOSCOW ART THEATRE LETTERS
edited by Jean Benedetti
Methuen Drama £20, 377 pages

A few years later Stanislavsky set up a small company of young actors under Vsevolod Meyerhold's leadership and began to try out new rehearsal techniques, including improvisation. Under this new persuasion acting came first, not literature. Nemirovich wrote to Stanislavsky: "under the influence of Meyerhold's absurd blabbering about the need to rehearse as the spirit moves, you suddenly felt the desire to exploit a method you claim to have been dreaming about for a long time. In fact, you want to get rid of reason!"

That exchange of letters between the two was in 1905. This is a letter written in the autumn of 1935 from Stanislavsky to Stalin: "Our theatre can and must be the most advanced theatre in the country in its representation of the fullness of the inner spiritual life of working people who have been made masters of the soil. The struggle is hard and help is needed if the two chiefs, despite our declining age and the tangled state of our 40 years old relationship are to lead the theatre out of its present condition…Knowing your affection for the theatre I hope you will help".

Indeed, Stalin "helped."

For Party fanatics, Stalin's "help" meant that somebody like Meyerhold, whom Stanislavsky had called his artistic successor, could at long last be hunted down. He was accused of the heresy of "formalism," the most damnable sin under the sacred doctrine of Socialist Realism. On January 8 1938 Meyerhold's theatre was closed down, while Stanislavsky, very close to the end of his life, continued to work with Meyerhold in his own home. But Meyerhold was arrested and sent to a punishment camp in Siberia where he died; to this day it has never been made public exactly how. A few weeks after his disappearance his wife, the actress Sinaida Raich, was murdered in their flat.

In 1974, a major exhibition in Moscow celebrated Meyerhold's achievements: it showed in countless photographs Moscow's theatre world of the 1920s and brought out Meyerhold's revolutionary influence, above all in his great Agit-prop productions. It was, in fact, Meyerhold who put himself immediately at the disposal of the government after the October revolution. He played a leading role from 1920 to 1938, going well beyond what Stanislavsky had taught him. Bertold Brecht's writings are to some extent inspired by his admiration of Meyerhold.

No doubt, the exhibition was meant to be a kind of rehabilitation. If so it lacked the essential admission. Not one word referred to how Meyerhold had been dispatched in Siberia, nor why and how his wife was killed a few weeks later.

Edmund Wolf

TELEVISION

That was the era that was . . .

If you want to know how the world is changing watch the opening edition of *TV Heaven* on Channel 4 and, in particular, be certain to see not only the actual programmes – the drama which launched *Callan*, the famous edition of *The Frost Programme* with Emil Savundra, and so on – but the "filler" material too. This coming weekend (on the first of 13 Saturday evenings to be devoted to archive material from the 1950s, '60s and '70s) between *At Last The 1948 Show* and Elsie Tanner's wedding in *Coronation Street*, there are several contemporary clips, including one of Joan Bakewell whispering winsomely into the microphone while covering some live event for *Late Night Line Up* in 1967, the year from which all this week's material is selected. Her come-hither glance at the camera is wonderful, but the significant point is that Frank Muir, who is presenting these archive collections, does not say "There you go, the thinking man's crumpet" even though he was the one who coined that phrase to describe Bakewell in the 1960s.

And why does he not quote his own epigram? Presumably because of the way things have changed in 25 years: today the women's lobby, not best known for its sense of humour, would be outraged at a line which, at its birth, was seen as affectionate and admiring. What, after all was it saying? That the woman had looks as well as brains. But one of the most powerful messages to emerge, albeit tacitly, from this opening edition of a series which may prove compelling to a remarkably large number of people, is that in a quarter of a century attitudes towards women have altered out of all recognition.

It is perfectly acceptable these days to screen a drama such as *The Cloning Of Joanna May*, shown by ITV over the past two Sunday evenings in 90-minute slabs, in which the general message is the one we have learned to expect from Fay Weldon: "Oh god, aren't men disgusting". There is surely no good reason why she should be prevented from delivering such a message. But anyone on television who tried making generalisations about women – over emotional, frightened of mice, whatever – would be in deep trouble. It is quite okay today for a woman on television to exploit the brains that nature endowed her with, but any attempt to exploit the body, endowed by the same power, will attract howls of execration. Hence the disappearance of beauty contests from television.

The contrast with 1967 could hardly be more vivid. Happily John Wyver and Linda Zuck, whose company Illuminations has put this huge package together, have managed to come up with material from *At Last The 1948 Show*, a series long mourned among the cognoscenti as completely lost, and tragically so since it was such a direct fore-runner of *Monty Python's Flying Circus*. Produced under David Frost it starred John Cleese, Graham Chapman, Tim Brooke-Taylor, and Marty Feldman. Now it seems that five compilation tapes have been discovered in the vaults of Swedish television and, although the picture looks as though it was shot through a flour sack, Saturday's episode proves that this was, indeed, a decidedly seminal show. Not only does it pre-figure *Python* in its general craziness, there are also particular moments which look astonishingly recognisable: Cleese as a goose-stepping gauleiter, Tim Brooke-Taylor asking "What are the nurses like then, eh?" (nudge) "eh?" (nudge, leer, nudge) and Cleese, Chapman and Feldman as three macho policemen in drag, but for the size 13 boots.

The contrast with today emerges from the use of women on the show. Aimi MacDonald, wearing a succession of revealing leotards and not much else, flutters her eyelashes while serving as a punctuation mark between sketches. At the end she does a little gag about blackmailing the director into letting her dance and we see her doing some high kicks. Dutiful feminists will close their eyes in pain and declare how much healthier it is to have Victoria Wood or French and Saunders winning kudos as comedians on television today. Those who suspect that really funny women have been welcome in show business since the days of music hall and before, and who cannot see that the pleasure given by the physical nature of Aimi MacDonald's performance is any different from the pleasure given by those hulking great men in the "Strongest Man" series, and who reckon that it takes all sorts to make a world, may feel that the world has been impoverished by doctrinaire feminism in the past 25 years.

Whatever your feelings, these compilations serve as the most powerful mnemonics imaginable, bringing back the period with a vividness which few other cultural phenomena could equal. From the little hippy dance performed by Twiggy at the start to the commercial with Bing Crosby singing "I'm going well, I'm going Shell", from Patrick McGoohan in that most typical of all 1960s symbols, the Lotus sports car, with the voice-over declaring "I am not a number I am a free man!" to Vanessa Redgrave posing sexily for Norman Parkinson, it could only possibly come from the mid sixties. *Coronation Street* still featured Ena Sharples and Minnie Caldwell, not to mention Elsie Tanner's son in a Union Jack waistcoat, and Granada were willing to tolerate major fluffs rather than re-shoot a scene for the sake of one line.

Above all there is *A Magnum For Schneider*, the "Armchair Theatre" drama which introduced us to Edward Woodward's Callan, who was "licensed to kill" but in all other respects the deliberate antithesis of James Bond: a sad and bitter loner who fraternised in gloomy pubs with the lowest of the low, notably Russell Hunter's malodorous Lonely, and who contemptuously rejected the values of the establishment which Bond so enthusiastically embraced. To watch this again now is to recognise immediately Callan's antecedents: not only Bond but the loner gumshoes of the Hollywood film noir in the 1940s, and Alfred Burke's scruffy detective Frank Marker in *Public Eye* which appeared on ITV in 1965. It also makes you realise how ominously dominant the glamorous surface detail has become in today's series – Inspector Morse's Jaguar – and brings out the near total triumph of film in television drama.

There are splendid treats to come: an early episode of *The Avengers* with Honor Blackman; *Regan*, the pilot for *The Sweeney*; the opening episode of *Do Not Adjust Your Set* which starred all the Pythons who were not in *At Last The 1948 Show* (Eric Idle, Terry Jones and Michael Palin) plus David Jason and The Bonzo Dog Doo-Dah Band; the opening episode of *Rumpole* (unseen since 1979) and *Upstairs Downstairs*; and Granada's *Woody Allen Show* from 1965, all with clips and commercials from the period. It seems a pity that the only linking comment is Frank Muir's comfy line in saloon bar gossip. As a pay-off to the notorious Savundra programme it scarcely seems sufficient to say "Many people were rightly appalled by this dangerous move towards trial by television, but it did make riveting television".

The most striking fact to emerge is one that has been emphasised in this column since 1972 when it was relinquished by its creator, T.C. Worsley. His articles from the mid-sixties, bringing such insight to many of the programmes now to be shown in this Channel 4 season, were published in book form under the title *Television: The Ephemeral Art* and at the time that title seemed a fair description. Today, with video recorders in 80 per cent of British households, a far greater awareness of the importance of television archives, and even budget-conscious producers no longer needing to re-cycle videotape and thus destroy irreplaceable programmes (much of the early *Dixon Of Dock Green*, *Dr Who*, and *Till Death Us Do Part* and most of David Mercer's early plays) television is simply not an ephemeral art any more.

John Cleese, Marty Feldman, Tim Brooke-Taylor and Graham Chapman in 'At Last the 1948 Show' on Channel 4's 'TV Heaven'

Christopher Dunkley

Baggage and Bombshells

COCKPIT THEATRE, NW8

Richard Crane's Gulf War play mounts a very different offensive to Trevor Griffiths' *The Gulf Between Us* at the West Yorkshire Playhouse. Whereas Griffiths has forged metaphors from recognisable events, Crane launches an all-out assault on that part of us that might still try to justify this, or any war.

Baggage and Bombshells is crude in its language and and expressionistic in its imagery, but it shares with Griffiths' play an urge to mythologise history. Whereas Griffiths' does this ironically, through O'Toole, gilder, story-teller and down-beat omniscient, Crane gives us a seething, shaven-headed woman, naked beneath a sheathlike bandage, who introduces herself as the "abominable blood-drinking rich bitch whore of Babylon."

Baggage and bombshells are the words used respectively by soldiers for wives and prostitutes; the subject of war, in Crane's account, is polarised between the two of them. Vera (Jacqueline Rudelle) is the simpering romanticiser of battle heroism, who spouts dewy eyed clichés before being rudely awakened by the accidental death of her husband; Joan (Kat Davison) is the camp groupie, fast and faithless, who embodies the raw sexiness of bloodshed.

Although this is a show performed by three women, it rather disconcertingly seems not to be about women at all, except as projections of the warrior mind: neither Vera nor Joan have much reality beyond the sort of fictions created for the boys at the front by Vera Lynn or your average girlie calendar.

Fielding her best toothpaste grin and a diction that seems to be trapped in an inter-war time-warp, Vera talks of the stories she has constructed to glamorise her husband for her children ("I tell them daddy might have to lay down his life"). Donning a black mask, Joan becomes a precision bomber, echoing those Vietnam posters of girl astride heavy artillery, while presumably making a point about more recent warfare. The imagery is so overloaded that it becomes confused and finally unhelpful.

Johanna Benyon's whore of Babylon makes a striking contrast both visually and conceptually: she swears like a trooper, uncomfortably, even offensively; she is contemptuously androgynous, and yet her face is hunted, petrified. She is the most powerful element of a show that explodes in a blinding flash of heat and dust, leaving one rubbing one's eyes and wondering what on earth it was all about.

Claire Armitstead

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

Schlosspark Theater 20.00 Mozart's Der Schauspieldirektor, staged by Alfred Kirchner. Co-production with the Deutsche Oper, also Sun (West Berlin 7931 515)
Deutsche Oper 20.00 Güher and Süher Pekinel play music for two pianos by Mozart, Stravinsky, Granados and Infante. Sat: L'elisir d'amore. Sun: La bohème (West Berlin 3410 249)
Schauspielhaus 20.00 Aldo Ceccato conducts the Berlin Staatskapelle and Chorus of the Staatsoper in Verdi's Requiem. Tomorrow: Berlin Symphony Orchestra (East Berlin 2090 2156)
Philharmonie Kammermusiksaal 20.00 Berlin Philharmonic String Soloists, with viola soloist Wolfram Christ, play music by Mozart, Mendelssohn, Hummel, Britten and Vieuxtemps (West Berlin 254880). Sun and Mon in SFB Grosser Sendesaal: Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra (West Berlin 3027 242)

■ BRUSSELS

Palais des Beaux Arts 20.00 Gidon Kremer and Martha Argerich. Tomorrow: Sabine Meyer plays Weber's Clarinet Concerto with the Belgian National Orchestra (507 8200)
Halles de Schaerbeek 20.00 Rosas danst Rosas: a new choreography by Anne Teresa De Keersmaeker, with music by Beethoven, Schnittke and Webern played by the Arditti Quartet. Also tomorrow and Fri (219 6341)

■ CHICAGO

Orchestra Hall 19.00 Daniel Barenboim conducts a concert performance of Cosi fan tutte, also Feb 10 and 15. Fri: Le nozze di Figaro. Sat: Don Giovanni. Sun: Andras Schiff piano recital (435 6666)

■ FRANKFURT

Opernhaus 19.30 Stefan Soltesz conducts Peter Mussbach's production of Ariadne auf Naxos, with Anna Tomowa-Sintow in the title role. Tomorrow: Die Zauberflöte. Fri and Sun: Macbeth. Sat: La traviata (236061)
Jahrhunderthalle Hoechst 20.00 Katia and Marielle Labeque play music for two pianos. Sat and Sun: Hamburg Ballet in John Neumeier's Requiem (3601 240)
Alte Oper Tomorrow's concert is by Michael Nyman and Ute Lemper. Fri: the Pekinel Sisters. Sun: Vladimir Fedosseyev conducts the Moscow Radio Symphony Orchestra (1340 400)

■ LONDON

Covent Garden 19.00 First night of Johannes Schaaf's new production of Don Giovanni, with a cast including Thomas Allen, Robert Lloyd, Hans-Peter Blochwitz, Claudio Desderi, Bryn Terfel, Karita Mattila and Carol Vaness. Tomorrow: Giselle. Fri: Cosi fan tutte. Sat: Le nozze di Figaro (071-240 1066)
Coliseum 19.00 Ivor Bolton conducts Nicholas Hytner's production of Xerxes, with Ann Murray in the title role. Tomorrow: Die Fledermaus (071-836 3161)
Royal Festival Hall 19.30 Rudolf Barshai conducts the Philharmonia in Beethoven's Coriolan overture and First Piano Concerto (soloist Mikhail Pletnev), plus Shostakovich's Fifth Symphony (071-928 8800)
Queen Elizabeth Hall 19.45 Tamas Vasary conducts the Bournemouth Sinfonietta in Dominic Muldowney's Percussion Concerto (soloist Evelyn Glennie) and James MacMillan's Tryst, plus Stravinsky's Danses Concertantes and Prokofiev's Classical Symphony (071-928 8800)

■ NEW YORK

THEATRE
● Chess: the pop-rock musical, with revisions of book and lyrics for a production by Tim Rice, reset in the 1960s, telling of an international team and their friends. Composers are Benny Anderson and Bjorn Ulvaeus. Directed by David Taylor (Master Theater, 310 Riverside Drive at 103rd St, 663 8893).
● Little Hotel on the Side: Tony Randall, Lynn Redgrave, Rob Lowe, Maryann Plunkett and Paxton Whitehead are the stars of this honeymoon comedy by Georges Feydeau and Maurice Desvalliers, translated by John Mortimer and directed by Tom Moore. Runs till March 1 (Belasco Theater, 111 West 44th St, 239 6200).
● Catskills on Broadway: a comedy revue conceived by Freddie Roman as a tribute to the area that spawned America's funniest people, featuring stand-up comics Marilyn Michaels, Dick Capri and Mal Z Lawrence. Directed by Larry Arrick (Lunt Fontanne, 205 West 46th St, 307 4100).
● The Visit: Jane Alexander stars with Harris Yulin in a revival of Dürrenmatt's play, adapted by Maurice Valency and directed by Edwin Sherin. A woman plots a vicious revenge on the man who wronged her in her youth when she visits him in later years. Runs till Feb 23 (Roundabout Criterion Center, Stage Right, 1530 Broadway at West 45th St, 869 8400).
● Ticketron answers inquiries and sells tickets for most shows on and off Broadway (246 0102)
MUSIC
Avery Fisher Hall 20.00 Andrew Davis conducts the New York Philharmonic Orchestra in Britten's Four Sea Interludes from Peter Grimes, Mozart's Bassoon Concerto (soloist Judith LeClair) and Elgar's First Symphony. Repeated tomorrow, Fri afternoon, Sat and next Tues (875 5030)
Carnegie Hall 20.00 Seiji Ozawa conducts the Boston Symphony Orchestra in Mahler's Sixth Symphony, repeated tomorrow (247 7800)
Metropolitan Opera 20.00 Nello Santi conducts Turandot, with Gwyneth Jones, Teresa Stratas, Vladimir Popov and Nicolai Ghiaurov. Tomorrow: Tannhäuser (362 6000)
New York State Theater 20.00 City Ballet in two choreographies by Balanchine and two by Robbins (870 5570)

■ PARIS

THEATRE
Théâtre de la Ville 20.30 Roberto Zucco: French premiere of the controversial 1990 play in which the late French dramatist Bernard-Marie Koltès gives a sympathetic portrait of the life and psychology of a young criminal. Directed by Bruno Boeglin, with Jerzy Radziwilowicz in the title role. Daily except Mon till Feb 29. No performance this Sun (4274 2277)
Odéon Théâtre de l'Europe 20.30 Ajax and Philoctetes: two Sophocles tragedies directed by Christian Schiaretti, with casts including Bernard Freyd, Jacques Bonnafé and Michel Cassagne. Daily except Mon till Feb 23 (4325 7032)
Théâtre national de Chaillot 20.30 Mr Puntila and His Servant Matti: Brecht's 1948 play about the master who is at his most humane when drunk, and his ambitious valet. Directed by and starring Marcel Maréchal. Daily except Mon till March 21 (4727 8115)
MUSIC
Salle Pleyel 20.30 Semyon Bychkov conduts the Orchestre de Paris in Ravel's Rhapsodie Espagnole, Barber's Violin Concerto (soloist Anne Akiko-Meyers) and Tchaikovsky's Fourth Symphony. Repeated tomorrow (4563 0796)
Opéra Bastille 20.00 Teresa Berganza gives a song recital, accompanied by Juan Antonio Alvarez-Parejo. Tomorrow: French chamber music (4001 1616)
Opéra Comique 19.30 Final performance of Jean-Marie Villégier's production of Atys, conducted by William Christie (4286 8883)

■ ROME

Teatro dell'Opera 20.30 Paolo Carignani conducts Carlo Verdone's production of Il barbiere di Siviglia, with a cast including Simone Alaimo, Jennifer Larmore and Rockwell Blake, also Fri (488 3641). Tomorrow at Teatro Olimpico: piano recital by Paola Bruni (323 4890)

■ ZURICH

MUSIC
Opernhaus 19.30 Il trovatore with Gabriela Lechner and Giorgio Lamberti, also Sat. Tomorrow: Die Zauberflöte. Fri: La bohème. Sun morning: Sandor Vegh conducts Schubert and Mozart. Sun evening: ballets by Bernd Roger Bienert and Bertrand d'At (262 0909)
Tonhalle 19.30 Rafael Frühbeck de Burgos conducts the Tonhalle Orchestra in music by Beethoven, Ginastera and Ravel, also tomorrow (201 1580). Fri: Dimitri Kitaenko conducts the Frankfurt Radio Symphony Orchestra (277 2040). Sat: Christian Zacharias plays Beethoven's Second Piano Concerto with the Prague Chamber Orchestra (261 1600)
THEATRE
Terry Hands directs a new Schauspielhaus production of the 16th century thriller Arden of Faversham, in a German translation. Previews tomorrow and Fri, opening night Sat, repeated Mon, Wed and Fri next week (221 2283)

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0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads - International issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week – joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
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German boom into bust

PERVERSE as it may seem, this week's strike-averting pay deal in the German steel industry has, if anything, thickened the cloud of uncertainty that hangs over the country's economy. The agreement sets a worrying precedent for the wage round; it is one which neither German industry nor the unions can afford to follow. If they try, they will eventually fail – the Bundesbank will see to that. But in failing, they will do unnecessary and long-lasting damage to the newly united Germany.

It would be wrong to be prematurely apocalyptic. The steel agreement, a total pay rise of 6.4 per cent, is the tail-end of last year's pay round, a round in which the average settlement was above 7 per cent. Moreover, the haste with which it was agreed might suggest that IG Metall, the metal industry union, has made some more comforting promises behind the scenes. It is the outcome of the forthcoming negotiations in the engineering industry and public sector that will determine whether this optimism is justified.

Yet the Bundesbank is unlikely to see it in such a rosy light – rightly so. Last year's settlements pushed the German rate of inflation above those in France and profligate Britain. The rise in German interest rates in late December was intended to send a tough message to wage bargainers, a message that the troubled steel industry has chosen to ignore.

Tense present

The Bundesbank will be tempted to ram its point home harder still: settlements around 6 per cent are at least a percentage point higher than can be tolerated in a low inflation country, such as Germany is, or was. The Bundesbank wants to keep this label in the present tense: this implies a tense present. High interest rates are likely for the next six months at least.

Premature easing would be interpreted by the markets as a sign of weakness, especially if broad money growth remains outside its target zone. Inevitably, then, west Germany's economic boom will be followed by a traditionally British recession. The longer that the Bundesbank is forced to keep rates high, the deeper it will be.

The root of this year's problem was also the cause of the boom that preceded it: German unification. Monetary union has prompted an economic collapse in the eastern Länder on a scale that even the pessimists underestimated. Cushioning the blow has required huge transfers from the west.

Tax burden

Yet the German government has failed to build a consensus over how this tax burden should be distributed. Workers, the unions argue, have shouldered more than their fair share through higher income taxes, with a rise in value-added tax in the pipeline. After-tax incomes grew by 3.8 per cent in the year to the second quarter of 1991, but by just 0.4 per cent in the third quarter, when the income tax surcharge came into effect.

Yet the unions' attempt to claw back this lost after-tax income through higher wage claims cannot work. In the end, the former west Germans will pay for unification; but only once-high interest rates and rising unemployment have beaten wages down. As the west German economy catches a cold it imposes high interest rates and slow growth on the rest of Europe. But the east German Länder will pay the highest price: both economically, as output stagnates and investment fails to materialise; and politically, as the unwillingness of the west to make the necessary sacrifices sinks in.

All of this represents a failure on the part of Germany's political leaders. The rigidly regulated west German labour market was always going to find unification difficult to cope with in the manner of the free market textbooks. But the social consensus alternative has not materialised. Until last summer, Mr Kohl was unwilling even to acknowledge that the burden existed.

Into this policy vacuum the Bundesbank has stepped. It is imposing a third way that is both economically costly and politically damaging for the new Germany. Unless its politicians, employers and unions can act together, and soon, the outlook is decidedly bleak.

Princely capitalism

THE PRINCE of Wales has undeniably left his mark, for better or worse, on British architecture. Is he now about to use the luxury of his position as a potential head of state to do the same for business?

His speech to the grandly named World Economic Forum in Davos yesterday suggests that he aspires to do so. But capitalism is a tougher nut to crack than the British architectural profession; and the prince's interpretation of the business world is sufficiently idiosyncratic to raise a doubt or two about his prescriptions.

Business, he asserts, is the core of modern society – a statement that might just make sense of the Japanese social structure, but which seems to bear little resemblance to anything that is happening in western Europe. And business, he adds, has been the real victor of the Cold War. If we are to find solutions to the challenges of the post-Cold War era, runs his argument, business must work in partnership with governments, local communities and pretty well everyone else to achieve not only economic, but spiritual, social and ecological goals.

This is a novel interpretation of post-war history and it incorporates a monumental *non sequitur*. There are many businesses in the former Soviet Union which are not victors of the Cold War and whose problems stem precisely from working in a collaborative system. It so happened that the collaborative system was managerially and administratively less efficient than the more market-oriented systems of the west.

Great irony

That said, the prince's worries about the ability of old-fashioned economic liberalism to deliver in the late 20th century are not without point. The great irony of the post-Cold War era is that if the former Soviet Union had not collapsed we would now be discussing the dismal performance of capitalism. The debt-laden Anglo-Saxon economies are resisting all attempts at resuscitation; continental Europe appears to have lost the secret of job creation; and the Japanese economic miracle has been won at the cost of a stressfully uneven distribution of wealth. Many share the feeling that deeper human values have been a casualty of the profit motive.

This is, of course, a rich man's complaint. And it leads the prince to a curiously eclectic vision in which capitalist animal spirits are incongruously leavened with nostalgia, social responsibility and something that verges on natural mysticism. It is a vision whose pedigree runs from the romanticism of Wordsworth, via the industrial reformism of Dickens's Hard Times, to the socially conscious profitability of Marks and Spencer. It may not be full-blooded collectivism (and it is not, alas, in inspired pentameters) but it is, at the very least, corporatist in spirit.

Comparative advantage

For all that, there is one sense in which the prince may be more in tune with the modern world than some neo-liberals. Comparative advantage in today's world has much more to do with the efficient deployment of human capital than of natural resource endowment. And there is no doubt that some of the most successful models of economic growth in the Far East are highly co-operative at company level, even though intense competition prevails outside. Human capital is sometimes, though not invariably, treated with greater respect in Japan than in the US or in Britain.

Yet it is hard to move from generalisations about mankind's relationship with the urban or rural environment to concrete prescriptions about corporate governance or social and environmental responsibility. And a belief in "working together" has to be tempered with the knowledge that government has all too often proved a poor partner for business working in the community.

Perhaps as well then that the Prince of Wales yesterday did little more than urge what many employers would regard as best practice in relations with the community and on the environment. Take away the mysticism and you have something slightly woolly, very British and really rather familiar. But not something likely to generate an economic miracle.

Russia's economic reforms face near-certain failure if the west refuses to provide massive financial support, writes John Lloyd

Yeltsin's perilous balancing act

Mr Boris Yeltsin, the Russian president, has spent three days in his ravaged country between returning from a visit to the US, Canada and the UK on Sunday and leaving for a state visit to France today. This is not a jaunt: he has the most urgent need to convince the Group of Seven leading industrial countries that he must get financial support, and very soon, if his government's economic reform is not to fail.

It is close to it. Already, a month after the price liberalisation which was the dramatic overture to reform, it is being written off by parliament, industrial barons, distinguished economists and, of course, a suffering people whom polls show to be losing faith in the success of any change.

The "patriotic", or hard-line nationalist, forces are having a convention in Moscow this weekend to drum up reaction – and are likely to be addressed by Mr Alexander Rutskoi, the Russian vice-president. Neo-communists plan a march on the White House, the Russian parliament, on Sunday: democrats plan a counter-march. It is reminiscent of the scenes a year ago, when the streets of Moscow were the arena for the competing partisans of the Soviet and the Russian governments: now, it is the Russian government on the defensive.

Can the government keep reform going? More, can the states of the former Soviet Union both institute radical change and find their way to a new nationhood – without so increasing tensions that they are driven to find a release for them in violent disputes, even wars? All are now faced with what has emerged as the post-*communist dilemma: that of making* long-overdue, but unpopular, shifts in the pattern of their economies while seeking to retain a democratic legitimacy which distinguishes them most sharply from their communist predecessors.

In a speech in Strasbourg yesterday, Mr Lech Walesa, the Polish president, told the west it had given him insufficient help and Polish democracy was now in danger: the former Soviet Union faces the west, now, with a much more urgent plea.

To be sure, almost every re-painted communist now talks of the need for pro-market reform. But much of this is rhetoric

This is only in part because these states are more numerous, impoverished and ruined even than Poland was. More seriously, it is because there are two crises intersecting here: the economic collapse from which all the states are suffering: and the national crises in which they are all struggling to assert individuality and consciousness within the shattered framework of a common economic space from which they all want to escape but which they are still doomed to share.

The resources for reform are almost completely lacking. All the republics are running deficit budgets, and none has hard currency in any significant quantities – while that which there is, is held by enterprises, often abroad, to keep it out of the voracious *hands of the desperate states*. The Russian Bank for Foreign Affairs, for example, appropriated all its Soviet customers' hard currency to pay back debts – a striking example of the authorities' reflex belief that there is no such thing as private property.

Apart from oil, gas, timber, diamonds and gold, they produce little that anyone else wants. Production and productivity are both falling fast – the former by 20 per cent over the year, and continuing. Mr Yegor Gaidar, Russia's deputy prime minister in charge of economic reform, has cut the budget allocation for military hardware to 15 per cent of its last year's level, which saves billions. But the budget gives only Rbs10bn to military conversion which, as Mr Vitaly Vitebsky, a Russian parliamentary deputy and member of the commission on the budget, said, "is not enough to pay off those made redundant by the closure of defence plants". Ominously, this will mean that these plants are now scavenging abroad for military orders – from anywhere, for anything.

The other republics fare no better; most will do worse, even if their food situation is presently easier. The poorer republics, with a primitive financial infrastructure, will have as many difficulties in collecting budget and hard currency revenues as Russia has. No enterprise which can avoid them pays taxes, nor sells the obligatory 40 per cent of hard currency earnings to the state for half the normal rate (at 110 roubles to the dollar, itself now well below the market rate). Everyone who can asks for hard currency payment to be made into foreign bank accounts (illegal, but quite openly practised).

There are no, or very few, resources: there may also be insufficient will. To be sure, almost every leader, every budding entrepreneur, every re-painted communist, now talks of the need for radical, pro-market, pro-democratic reform, and of his commitment to it. But much of this is rhetoric: the expression of a desire for a better life without the determination to achieve it by leaving the familiar, if threadbare, folds of the old.

Among the constellation of top Russian leaders – Mr Yeltsin, Mr Rutskoi, and Mr Ruslan Khasbulatov, the chairman of the parliament – not one is other than, on his own account, passionately committed to the most radical reform. Yet in the past few days, both Mr Rutskoi and Mr Khasbulatov have called not just for an immediate cessation of the present version of reform but for a return to some elements of the state system.

In this they have been joined by a legion of economists – Dr Nikolai Petrakov, Mr Abel Aganbegyan, Mr Pavel Bunich and others – who have gravely criticised the Russian team of "young (read: naive) economists". These men have all in the past formulated reform plans, for the then Soviet government, none of which were carried out: they now see a Russian government carry out reform without any plan and are calling a halt.

But the problem of political will lies deeper. Reform engages only one element of the overall political project of Russia and the other states, and often the less important one. The more important element is the building of the nation. It is this which engages the real passion and energies: this which is the force which fires up the pulse of the politicians and makes their otherwise terrible job attractive.

Nationalism is already firing up the Caucasus, where the Azerbaijanis and the Armenians struggle over Nagorno Karabakh and the Georgians have taken only a temporary lull in fighting with the minorities on their territories. Nationalism is setting Russians and other minorities against the Lithuanians, Estonians and Latvians in the Baltics, and is even driving the Russian autonomous republics – Chechen-Ingushetia, Tatarstan and Yakutia – towards declarations of an independence quite impossible to contemplate if Russia is to be the unified state Mr Yeltsin has said it will be.

At a recent session of the Russian Constitutional Commission, charged with producing Russia's first democratic constitution, Mr Oleg Rumyantsev, its secretary, said there was now a "spiral of confrontation in the form of a war of constitutions" between Russia and some of its subordinate units.

But the most serious issue is that between the Ukraine and Russia, the two great Slav states which were the fulcrum of the Soviet Union and before that, of the Tsarist empire. By tomorrow, the Russian parliament should decide whether or not to endorse the view of its Committee on International Affairs of January 14, that the assignment of the Crimea from Russian to Ukrainian jurisdiction in 1954 was illegal, and is thus void: it if does so, it ratchets up the developing quarrel between the two states to critical levels.

Last month, Mr Vladimir Lukin, just now appointed the Russian ambassador to the US and then chairman of the International Affairs Committee, suggested in a memo to Mr Yeltsin that if the Ukraine did not agree to Russian control of the disputed Black Sea fleet (whose bases are in the Crimea), then Russia should use the expected parliamentary decision against the legality of the Crimean transfer as a stick with which to beat the Ukrainians into line, and to "activate a Crimean independence movement" among the majority Russian population there. In short, Mr Lukin, a noted liberal reformer, was proposing the time-honoured and dangerous option of one state using "its" minority in another's territory to force it to submission.

Mr Lukin made clear that his aim was to guard the administration's flanks against ultra-nationalists: he wrote that "a submissive (to the Ukraine) stand will play into the hands of the right-wing nationalist group in Russia, whereas a firm one will raise a broad wave of support for the Russian administration".

This is no chimera. The ultra-nationalists gather this weekend, with Mr Rutskoi in attendance: the streets of Moscow may become a battleground. If even figures like Mr Lukin see the need to harden the democratic stance against the nationalist threat, then reform is indeed in danger.

On one side, the Russian and the other states' economies face a collapse from hyperinflation and lack of support: on the other, the nations inside and outside of Russia lock themselves into hostilities in which no compromise is possible. Even an analysis done by economists friendly to the government, from the Russian Union of Industrialists and Entrepreneurs, concludes that the most likely outcome is that "macroeconomic stabilisation will fail in the coming months": a pessimistic outcome, though more likely than the optimistic variant, sees the republics at war.

The rapidly developing and intersecting economic and national crises (added to them the subsidiary but potentially more frightening matters of control of civil and military nuclear resources) – leave foreign states, and especially the Group of Seven, with a harsh set of options. One is, in brief, to note what is happening, pray that the worsening flow of events will not continue in the direction logic appears to dictate, and hope that the IMF can stop collapse.

The other is to be drawn, ineluctably, further and deeper into the Former Soviet Mess – an unattractive position for most foreign governments, but one now being urged upon them by advisers, policy thinkers and at least some within the IMF and the World Bank. The model, often mentioned, is the Marshall Plan of 1947, under which US aid was channelled to the shattered states of western Europe: but the model is only partly useful, since these states were all market economies, all had experienced (in the market and democracy) elites and a good deal of serviceable infrastructure.

Given the monetary tools, the Europeans could get on with the job of reconstruction. This does not appear to be so for the former Soviet Union – where, with the partial exception of Moscow, the layer of expertise, of understanding and of efficiency at government and enterprise level is as thin as tissue and as easily broken.

The issue is now, squarely, before the western states. The demand articulated by Mr Yeltsin and his government is for immediate support: a fund to stabilise the rouble, of about $5bn-$6bn: a further amount, of about the same, to provide for imports of badly needed food and medicine. And this to be provided in the next month or at most two – long before the application Russia is now making to join the IMF will have been processed. Beyond Russia's demands are those of the other states, smaller but no less needy. It is the Demand – some would say the Hold-Up – of the Century: the plea for huge sums, or the consequences will be disintegration, conflict, a huge Yugoslavia. Mr Yeltsin flies off again today to discover if the west will pay up.

OBSERVER

Revolutionary marriage

■ It seems Yassir Arafat, who had always claimed the Palestinian revolution was "my woman, my family, my life", has secretly wed his youthful secretary Suha Tawil, in Tunis.

While Middle East capitals have been buzzing with rumours that the 62-year-old had succumbed to marriage at last, it was left to the bride's mother, Raymonda, to speak first. "I cannot deny it, but it is Chairman Arafat's right to declare it officially," she said. More Delphicly, one of Arafat's top aides told Observer's man on the spot that it was not something he had discussed with his boss, since he did not concern himself with Arafat's internal affairs.

Nevertheless Arafat's private life has long been the subject of all manner of speculation – one recent rumour had him married to his Egyptian biographer Rashida Mahran.

The bride is certainly well connected; she is 28 and comes from a prominent Christian family on the Israeli-occupied West Bank. Her journalist mum is a well known Palestinian activist, and longstanding friend of Arafat's; her brother headed the Palestine Information Office in Washington.

Suha Tawil is said to have converted to Islam. Arafat himself is a Sunni Moslem. Palestinian friends are speculating that the peripatetic Arafat, who has been spending more time in Tunis, may have decided to slow down.

In any case, fewer countries welcome his visits since he supported Iraq in the Gulf war.

On your honour

■ If Kung Fu movie king Sir Run Run Shaw can get an honorary degree from Oxford University, why can't Margaret Thatcher?

Oxford University insists that its reason for conferring the honorary degree of doctor of civil law on the 84-year-old Hong Kong billionaire is not that he has pledged £10m for an Institute of Chinese Studies. Rather it is rewarding him for his service to the community – mainly charitable – already recognised by his knighthood.

Quite so. But Observer wonders whether the university would rethink its opposition to granting an honorary degree to Britain's ex-premier if she were to move her Thatcher foundation's headquarters to Oxford, or at least direct some of its largesse in that direction.

Blocking copy

■ How nice to see, on a visit to a packed-out north London computer auction, that competitive juices still run strongly even in the newest of business niches. Inside, over 400 people were bidding £10 or so for recycled software and anything up to £1,200 for nearly new high-powered PCs.

Outside, rival south London auctioneers were leafleting the hundreds of parked cars with advertising copy. Alas for their efforts, the north London team were following them round, removing the ads from each and every car.

Technology's all very well, but when it comes to commercial success, you can't beat plain old aggression.

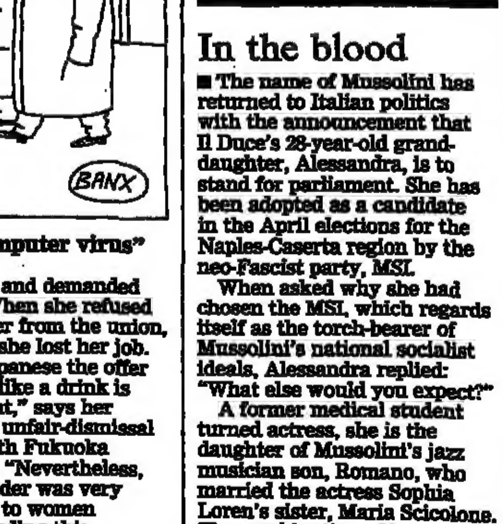
Cup-out

■ What price a woman's prerogative to change her mind? A Japanese court has been asked to supply an answer in the case of an unnamed sewing-factory worker, aged 50, who exercised the prerogative at an employees' party.

Offered a cup of sake by the chief of the company's closed-shop union, she refused, saying she had a cold. Later he saw her accept a drink from another man, and demanded an apology. When she refused he expelled her from the union, which meant she lost her job.

"For the Japanese the offer of something like a drink is very important," says her lawyer in her unfair-dismissal claim filed with Fukuoka district court. "Nevertheless, this union leader was very unreasonable to women workers, including this woman."

Quite.



"I'm a computer virus"

Wise men

■ It's good to hear that Lord Shawcross – 90 yesterday – still regularly turns up for work at J P Morgan's London branch where he advises on international matters. He is one of a select group of wise old birds including Warburg's Henry Grunfeld (87) and Lord Roll (84), who do a daily stint at their city desks. Hermann Abs (90) also checks in occasionally at Deutsche Bank.

Events at conglomerates like Hanson and Lonrho have raised understandable institutional worries about who is to succeed some of Britain's ageing captains of industry. Indeed, some big pension funds such as Postel now have a policy of opposing the re-election of any director 70 or over. But that seems far too mechanistic, especially since some of the world's best-run financial institutions feel the need for advice from elder statesmen.

Indeed, Observer hears that National Bank of Kuwait has a director – Khaled Abdul Latif Al-Hamad – who is in his 110th year....

In the blood

■ The name of Mussolini has returned to Italian politics with the announcement that Il Duce's 28-year-old granddaughter, Alessandra, is to stand for parliament. She has been adopted as a candidate in the April elections for the Naples-Caserta region by the neo-Fascist party, MSI.

When asked why she had chosen the MSI, which regards itself as the torch-bearer of Mussolini's national socialist ideals, Alessandra replied: "What else would you expect?"

A former medical student turned actress, she is the daughter of Mussolini's jazz musician son, Romano, who married the actress Sophia Loren's sister, Maria Scicolone. The combination of her grandfather's name and her mother's strong Neapolitan connections has delighted the MSI. According to the party's local branch, she has not been politically active before. "But now she wants to get involved seriously: like a real Mussolini."

African puff

■ Nigeria has become notorious for its business scams. But West Africa magazine, 75 years old this week, can remember at least one example of honest entrepreneurship.

"The Nigerian Pneumatic Corporation", said a signboard on a busy road years ago. The 12-year-old proprietor inflated bicycle tyres at a penny a time.

LETTERS

UK regulatory practice a poor example

From Mr Andrew Grossman.

Sir, The past year has seen a number of regulatory disasters in the financial sector that do not speak well of British regulatory policy: BCCI, Lloyd's, and the Maxwell pension funds, to name but three. It makes a striking contrast that, in the US, regulatory systems intervened (or, in the case of Lloyd's, are in the process of intervening through legal and administrative action in New York and in Washington) to prevent and to remedy the worst of the abuses.

One has to recall the Thalidomide tragedy, where, in its rush for profits, Distillers was allowed to market in the UK an unsafe drug while, in the US, sale of the drug remained blocked due to safety concerns on the part of the regulators.

BCCI's directors, of course, did evade controls to the degree that they succeeded in buying control of two American banks. Yet American deposits were not put at risk; and, had they been lost, Federal deposit insurance would have protected depositors up to the realistic level of $100,000. If Maxwell tried to get at the Daily News pension fund he did not succeed; and even if he had, the Federal pension guaranty fund would have protected pension holders.

Is America a less competitive nation because of these regulatory controls and investor and consumer protection? I doubt it. It is simply that in Britain there is a clubby atmosphere in which certain arrogant individuals and groups have influence in government and in parliament and are left do pretty much what they want. The problem is compounded by libel laws that stifle investigative journalism. Due diligence on the part of individuals could not reveal the risks and misdeeds: it must be the role of the state to level the playing field and in so doing to try to prevent ruined lives and personal tragedy on such a scale.

Andrew Grossman,
Apt 3V, 2 Fountain Lane,
Scarsdale,
New York 10583

'Free' energy market is in reality controlled

From Mr Jonathan Stern.

Sir, Your leader, "A single EC energy market" (January 31), notes that only the UK remotely approaches the kind of free-market regime envisaged in Brussels, yet misses an important point about the British experience in creating "free markets" for energy, particularly natural gas.

The manner of last week's decision to allow gas imports makes it abundantly clear that the government has determined, and will continue to determine, the parties allowed to import, the volumes they are allowed to import, and the means by which they are allowed to import.

As Mr John Wakeham, the energy secretary, noted in your columns (Monday Interview, December 16 1991): "The thing I want to dispel is that we believe you can just leave these things to the free market. You can't. You have to *create* a free market if you want one."

Holding the UK up as a shining example simply reinforces energy industry suspicions that the single energy market is a means by which Brussels politicians and bureaucrats hope to gain control of important commercial decisions in the name of creating free markets.

Jonathan Stern,
energy and environmental programme,
Royal Institute of International Affairs,
Chatham House,
10 St James's Square,
London SW1Y 4LE

Electoral hurdle not designed to exclude extremist parties

From Prof Peter Pulzer.

Sir, It is rather misleading of John Willman and Andrew Adonis to suggest in their otherwise admirable guide to electoral systems ("Ballot box conundrum", February 3) that 5-per-cent hurdles, as in Germany, and similar entrance barriers under proportional representation are primarily designed to exclude extremist parties.

There is no relationship between the size of a party and its place in the ideological spectrum. A minor party can be centrist (as in Italy or Denmark) and an extremist party can be large.

The purpose of such barriers is solely to reduce the number of parties in a parliament. No 5-per-cent clause would have kept the National Socialists out of the parliaments of the Weimar Republic. But it might have helped to stabilise parliamentary government and thereby made extremist parties less attractive.

Peter Pulzer,
All Souls College,
Oxford OX1 4AL

Often doing better in the long run as investors: but how often?

From Mr Mark Benstead.

Sir, Anthony Harris's contribution ("Beware of an absence of hindsight", February 3) raises an interesting investment opportunity. If the long run is assumed to be a series of short runs, then "active" or short-term investors outperform all the time. Furthermore, the superbly profitable short-termists must be winning at the expense of someone, presumably the lazy fundamentalists, who, Mr Harris claims to the contrary, often do better in the long run. What we are not told is, how often?

Nor can we ignore the importance of transaction costs. In the real world these will always work against the short-termists while increasing the performance of the lazy fundamentalists. If all this is too confusing, remember – we are all dead in the long run.

Mark Benstead,
47 Sidney Road,
St Margarets,
Twickenham

Britain has more than a 'little left' of machine tool industry

From Mr Simon J Brown.

Sir, John Griffiths wrote, "With little left of the UK machine tool industry..." in his report on Nissan's plans to invest £200m in its Sunderland car plant ("Nissan to raise Sunderland capacity 30 per cent", January 17).

This statement is factually incorrect and misleading. The UK machine tool industry, while combating the effects of the recession, saw domestic production of £960m in 1990 spread across more than 100 manufacturing sites in the UK employing approximately 23,000 people.

Rolls Royce, one of Britain's premier symbols of manufacturing, increased its procurement of machine tools from British manufacturers to 70 per cent in 1989, and there are many other examples.

Simon J Brown,
director general,
Machine Tools Technologies Association,
62 Bayswater Road,
London W2 3PS

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Benetton ads not consistent with its values

From Mr Eric Salama.

Sir, Your analysis of the controversy surrounding Benetton's Aids advertisement (Management: "Shocking tone for united colours", January 30) overlooks the fundamental point.

All of our research suggests that companies must look to corporate branding and to novel ways of communicating their image. Not only is there a hard core of 20-30 per cent of consumers across Europe who are what we would call "ethical consumers" – who use non-product related criteria in making their purchasing decisions – but, at a time when there is a danger of the public becoming overloaded with information and confused, there is a need for strong brands to reassure consumers.

In this respect, the trouble with the Benetton campaigns is not that they shock people, but that they are not consistent with Benetton's real brand values. As far as I know, Benetton has not done anything in its employment practices or in its dealings with suppliers to promote equal opportunity for women and racial minorities or to help people suffering from Aids.

I would have no problem with companies such as Marks and Spencer or Shell "shocking us" into changing our attitudes regarding staff welfare or the environment, if it were clear they were committed, in practical terms, to doing something about it.

The Benetton campaigns seek to make statements about issues to which Benetton's own corporate policy appears to have little to offer. The brand image which it promotes appears false and inconsistent.

Eric Salama,
director,
Henley Centre for Forecasting,
2-4 Tudor Street,
London EC4Y 0AA

Not enough shrinkage

From Mr Jonathan S Haw.

Sir, You appear to have overdone it. A real, current (Florence Nightingale) £10 note overlaid on your article "The shrinking £10 note" (January 31) is about 4mm smaller in both dimensions. Given your footnote, perhaps you were indulging in proportional representation?

Jonathan S Haw,
35 Basinghall Street,
London EC2V 5DB

Competitive language

From Mr G M Wilkinson.

Sir, I was delighted to read Mr Tomlinson's letter ("Wasting time on languages", January 27). I have long been concerned at the growth in the supply of non-native Japanese speakers, which tends to depress the market value of people like myself who are rather well paid for our ability to communicate in Japanese. I am sure that the letter will help to deter would-be British students of Japanese. It would be gratifying if you could now spread the word – American undergraduates, in particular, have a distressing tendency to persist in their efforts to learn Japanese.

G M Wilkinson,
Kinuta 8-24-8-302,
Setagaya-ku,
Tokyo 157, Japan

PERSONAL VIEW

Ministers must get a grip on reality of British Rail

By David Sawers

There is something about railways that brings out the worst in British politics. The current debate about privatising British Rail has proceeded in the privacy of a Cabinet committee, with the public informed only through leaks by ministers to the lobby correspondents. Their reports are disturbing. The ambitions of different ministers appear incompatible – to recreate the four pre-war companies; to separate ownership of tracks and trains to permit competition; to franchise operators of commuter services; and to privatise the Inter-City network as a single unit, while keeping the rest of BR in public ownership. They suggest that ministers are out of touch with reality.

If this debate had taken place in public, perhaps on the basis of a green paper, ministers would not have been limited to the advice of their own staff – who, outside the Department of Transport, have little knowledge of railways – and the weaknesses of some of the proposals being discussed could have been exposed.

Four facts should be in ministers' minds when discussing the privatisation of BR:

- the railway system ranges from the modestly profitable Inter-City services, through the modestly unprofitable London commuter services, to the regional services which cover about a third of their costs;
- their management is weak, and there is no obvious surplus of talent in other transport industries with which to strengthen it;
- operating a railway involves a lot of people, many with specialised skills;
- British railways cannot use foreign rolling stock, so their equipment has to be specially made, and there is no effective second-hand market.

Any entrant would have to take over some of BR's employees, and ensure their co-operation if trains were to be run efficiently and safely. It would also have to use BR's existing rolling stock if it was to operate services soon. Once new equipment had been delivered, the buyer would have to reckon that its life was at least 25 years, and that it could be sold only to another UK operator of similar services. The cost of entering the railway business is high, therefore, partly because leaving it would entail heavy losses. The cost and potential losses would be even higher if the entrant had to buy and maintain the track, which also has no other uses.

Railways are unlike the bus and airline industries, in which equipment can be bought and sold in the second-hand market. Rolling stock, therefore, does not provide adequate security for borrowing; nor can it support commercial leasing operations, which are now common for aircraft.

The high cost of entering the railway business implies that the option of separating ownership of track and trains could fail for lack of entrants. Potential operators might want a monopoly on a route before committing themselves; and be unwilling to pay the full cost of the tracks they would use.

Potential buyers of the infrastructure would in turn be uncertain about the income from the track. And, because only BR runs train services at present, potential entrants to the railway business – unlike entrants to the bus or airline industries – are likely to be managed by newcomers to the industry. The risk of misjudgment leading to failure is therefore increased.

Similar problems would arise if the government sought to franchise the operation of unprofitable services, while retaining ownership of the track they used. There would be few if any bidders for such franchises unless the subsidy guaranteed a commercial return, the existing trains could be leased from the government, or the franchises were long enough to permit investments in new rolling stock to be depreciated. In one case, the franchisee could not improve services significantly; in the other, the franchise system would create little competitive pressure. In all cases, the subsidy is liable to rise. It would be a remarkable act of faith to expect this scenario to improve the quality of commuter services.

Splitting BR into four regional companies would also create difficulties, whether or not a separate company was to operate Inter-City services and to own its tracks. The profitability of the four would vary with the proportion of commuter or regional services provided; if Inter-City was sold separately, they would all be unprofitable. There would also be conflicts between companies where services crossed regional boundaries.

If ministers were realists, they would accept that British Rail can best be privatised as a single unit. The efficiency of the subsidised and Inter-City services could be improved by a change of ownership that reduced direct political intervention and removed investment from the constraint of the public sector borrowing requirement. Efficiency could be further improved if local authorities provided the subsidy, and regulated fares and quality: they could then strike a contract with the privatised railway company that specified services, fares and subsidy, which should give some of the benefits claimed for franchising such services. Privatising Inter-City alone would imply that the subsidised services would remain in public ownership indefinitely, if efforts to franchise them are unsuccessful, as seems likely.

The possibility of competition should be regarded as a subject for experiment. European Community rules will ensure that other companies can in future run trains on BR's tracks if they so desire; and the possibility of franchising subsidised services could be tried on a small scale. But the main competition for rail services will always come from cars, buses and aircraft. In their pursuit of the will-o'-the-wisp of direct competition between railway operators, ministers seem to have forgotten that politics is the art of the possible. They should return to the simple solution of privatising BR as one unit.

The author is an economics consultant.

Edward Mortimer

Time to tune the machinery

The UN Security Council summit has called attention to imbalances in membership

FOREIGN AFFAIRS

Last week's UN Security Council meeting at summit level had a largely symbolic character. It was, in its own words, "a timely recognition of the fact that there are new, favourable international circumstances under which the Security Council has begun to fulfil more effectively its primary responsibility for the maintenance of international peace and security". In short, an act of collective self-congratulation.

That does not make it necessarily a bad thing. The Security Council is a useful institution. It is good that its members should be publicly associated with it at the highest level, so that political leaders have a personal stake in its success. It is good that it be seen to be giving a lead to the UN as a whole, and it was especially appropriate that it shone the spotlight on the new secretary-general, giving him a firm mandate, with a deadline of July 1, to report back with specific recommendations for "strengthening and making more efficient... the capacity of the United Nations for preventive diplomacy, for peacemaking and peacekeeping". The preventive side has definitely been the UN's weak point up to now, while peacekeeping is a growth industry whose financial and logistical requirements urgently need to be re-thought.

But the meeting shone the spotlight even more blindingly on the Security Council itself, and some of those on stage to take the bow could be seen to blink. Of none was this truer than the man chiefly responsible for switching on the spotlight, the British prime minister.

The meeting was above all Mr John Major's idea, which means that it was by no means unconnected with the approaching British general election. (Nothing in Mr Major's mind at this moment could possibly be.) Nobody involved in preparations for the meeting was unaware of the British government's determination to hold it on or before January 31, while Britain still held the Security Council presidency.

Another purpose of the summit was, of course, to enthrone Mr Boris Yeltsin's Russian Federation in the seat formerly labelled "Soviet Union". Mr Yeltsin performed well, by all accounts, but his physical presence cannot change the transparent sleight of hand which has been perpetrated. The five permanent members of the Security Council are listed by name in the UN Charter. One of them is the Union of Soviet Socialist Republics. Russia is not mentioned. One might think that the disappearance of one of the five permanent members made it necessary as well as opportune to review the Charter in general, and the permanent membership of the Security Council in particular.

But that was not what the present permanent members wanted, and especially not Britain and France. For if the General Assembly were to embark on the procedure for amending the Charter, many of its members would certainly insist on a much more radical restructuring of the Security Council. The "change of name" approach was much more convenient, not least because it was much less conspicuous.

Or at least it would have been, had not the Security Council called attention to it by holding last week's summit. A specially awkward fact was the presence of the Japanese prime minister, Mr Kiichi Miyazawa. Japan is currently serving a term as one of the 10 non-permanent members, but considers, with good reason, that it has at least as good a claim as Britain and France to permanent membership. Mr Miyazawa pointedly called for a change in the Security Council's composition to reflect "the realities of the new era", and just in case anyone failed to get the message, his spokesman told reporters that Japan contributed more to the UN budget than Britain and France combined, and aimed to achieve permanent membership by 1995.

Mr Major was thus thrown on to the defensive in what was supposed to be his hour of triumph. He fell back on the old argument, "if it ain't broke, don't fix it". The Security Council was working well, he said in a BBC World Service interview. Now was not the time to tinker with its composition.

That argument will not convince many people. When the Security Council was not working, its composition was low on the list of most government's priorities. But the better it works, the more power it wields, the more people are going to care who is on it and whether they have a veto or not.

When the Security Council was not working, its composition was low on the list of government priorities. The better it works, the more power it wields – and the more people are going to care who is on it and whether they have a veto

Indeed, the whole rationale for last week's meeting was that now is the time to improve the UN's machinery, since the end of the Cold War has provided an opportunity. Mr Major may think the composition of the Security Council is not one of the aspects that needs improving, but many others disagree. Even within the British and US governments it is almost a cliché to say that Japan and Germany must somehow be induced to take on global political responsibilities more commensurate with their economic strength. This is hardly consistent with denying them the most responsible position in the UN system.

It is sometimes suggested that there is a connection between permanent membership and nuclear power status. This is historically quite inaccurate (the existence of nuclear weapons was not yet known when the Charter was drafted), and politically very dangerous. The last message that should be given to Germany, Japan or any other state is that only by becoming nuclear powers can they hope to acquire a top-table role in global security.

Germany is not pressing its claims to permanent membership with the same vigour as Japan, and there is one strong argument against it: Europe is already heavily over-represented on the Council, both among permanent and non-permanent members (the latter because there is still a separate east European voting group). The logical solution, as the Germans are well aware, is to have a single west European permanent member – the European Union – rather than two. It will be surprising if that argument is not pressed more and more firmly on Britain and France by their European partners in the next few years.

Third World countries will also put forward claims. In so far as these are based purely on claims to represent their regions they should be resisted. It is the function of the non-permanent members to represent their regions, and there is no reason to suppose that other African states wish to be permanently represented by Nigeria rather than take their own turns in rotation. The reason for having permanent members was, and is, that certain states by virtue of their size or power play such an important part in the international system that it would be foolish to attempt any major initiative without their support.

The requirement of nine affirmative votes does, in any case, give the Third World a collective veto on any issue on which it is united. This could be strengthened by a requirement that all regions of the world be represented in the majority; alternatively the existing veto could be weakened by requiring two permanent members to cast it rather than one – though China would certainly object to this even if the US did not.

What seems certain is that the present structure will not survive any detailed scrutiny. By organising last week's meeting and so inviting such scrutiny, Mr Major scored something of an own goal.

FINANCIAL TIMES
Wednesday February 5 1992

RUC member commits suicide after attack on centre in West Belfast

Three shot dead at Sinn Fein offices

By Our Belfast Correspondent and Tim Coone in Dublin

THE MURDER of three men at offices of Sinn Fein, the political wing of the Irish Republican Army, yesterday formed a violent backdrop to the first official visit to Northern Ireland by an Irish president since the partition of Ireland in 1921.

A 24-year-old off-duty police constable opened fire at Sinn Fein's West Belfast advice centre about lunchtime, killing three and injuring two others. He later shot himself dead.

It was the first time in more than two decades of "troubles" that a member of the Royal Ulster Constabulary has carried out an attack in such circumstances.

Mrs Mary Robinson, president of the Irish Republic, was about a mile away when the shooting occurred.

Unionist leaders organised a demonstration against her visit in protest at articles two and three of the Irish constitution which lay claim to jurisdiction over Northern Ireland. Mr Nigel Dodds, the lord mayor of Belfast said: "I don't think that she can be welcome as long as those articles remain."

Previous Irish presidents have visited Northern Ireland in the past, but in an unofficial capacity, for example to attend funerals of victims of paramilitary killings. The West Belfast attack came as thousands gathered in the city centre to demand an end to terrorist murder and intimidation of workers. The rally, organised by the Irish Congress of Trade Unions, was called following the IRA killings last month of eight Protestant workers at Teebane Crossroads near Cookstown.

The police constable gained admission to the advice centre, which also houses the Republican Press Centre, by posing as a journalist who had arranged an interview. Once inside, he opened fire with an automatic shotgun. Eye witnesses said he later escaped in a BMW car.

About two hours later, the policeman's body was found on the shores of Loch Neagh at Ballinderry, about 25 miles from Belfast. He had a gunshot wound to the head and a shotgun was found nearby.

The day before the constable had attended the funeral of a police colleague at Comber, County Down. He was arrested after firing shots over the grave later that evening. Subsequently he was medically and scientifically examined and police took possession of his service Ruger revolver. He was told to attend a further examination yesterday morning but did not turn up, the RUC said last night.

An police inquiry is under way into the killings. One of the dead was an elderly doorman and the other victims were a centre worker and a member of the public.

Mrs Robinson said she was upset by the killing, saying: "Any death by violence is distressing."

Mr Brian Mawhinney, Northern Ireland minister responsible for security, said the deaths were "an absolute tragedy, as is all waste of life in Northern Ireland".

The minister sent his sympathy to the families of those killed and wounded in the attack.

Ulster rally attacks terrorists: Picture, Page 8

Venezuelan military foils coup attempt by rebel troops

By Joe Mann and Agencies in Caracas

LOYAL Venezuelan military units yesterday quashed an attempted coup d'etat by army rebels aimed at toppling the democratically-elected government of President Carlos Andres Perez.

Last night there were still pockets of rebel resistance in the capital, Caracas, and in the cities of Valencia and Maracaibo but the government was clearly in control.

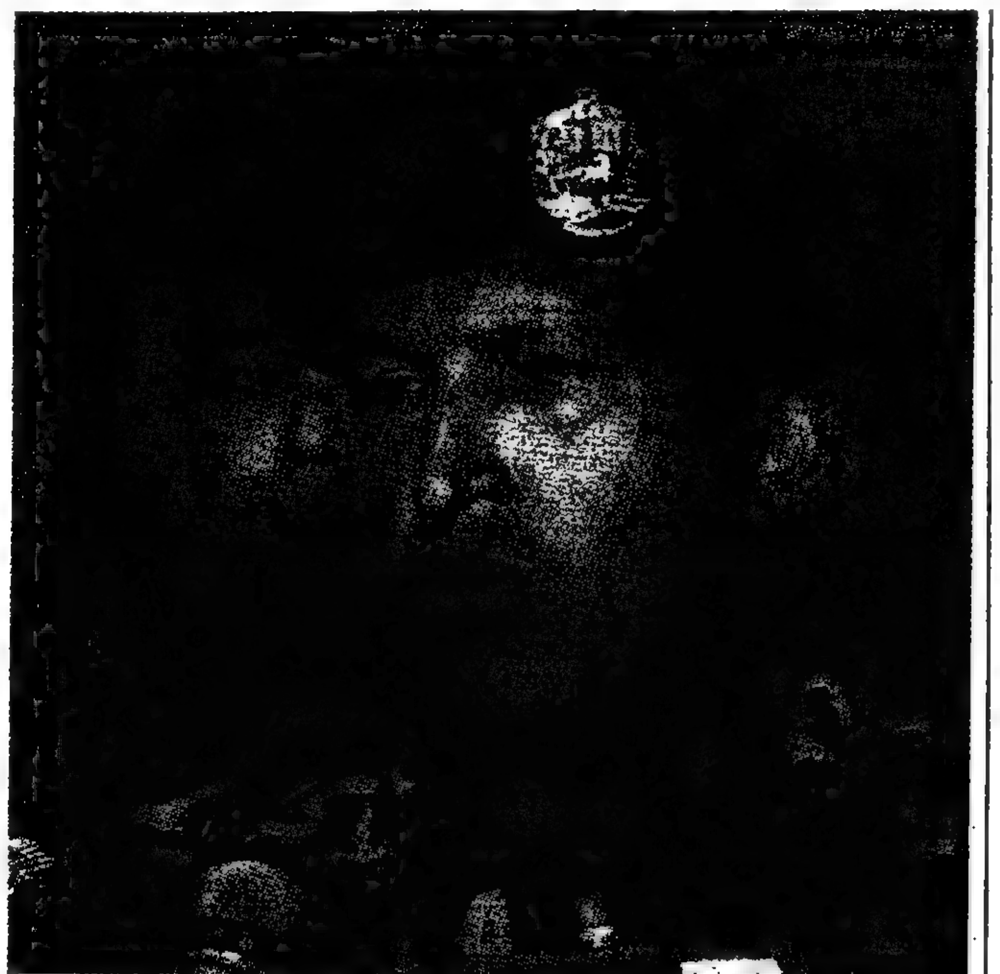
According to one report, 14 soldiers from both sides died and 300 soldiers and officers, including the rebel leader, Hugo Chavez, were arrested.

The government decreed a 10-day suspension of constitutional guarantees, a move which provides it with a wide range of special powers, including the right to search homes and detain citizens without warrants.

Stock market activity was suspended for two days and a two-day halt decreed in foreign currency transactions to avert panic in markets, Mr Ruben Rodriguez, the labour minister, announced.

The foiled coup, which started around midnight on Monday, was organised by military units from all three cities, as well as from Maracay. In the capital, the sound of heavy fighting rocked the city until well after dawn.

This was the first attempt at a coup in Venezuela since the early 1960s. It follows growing anger over economic reforms that have failed to benefit the majority of Venezuelans. In spite of rumours of a coup during the last months of 1991, the uprising took the country by surprise.



Hugo Chavez, leader of yesterday's attempted coup in Venezuela, announces his surrender at the Defence Ministry in Caracas

Mr Perez, looking shaken, appeared on television early yesterday to appeal to the rebels to lay down their arms. He said they had tried to kill him.

President George Bush condemned the attempted coup and telephoned President Perez to assure him of full US support. The European Community and 16 Latin American presidents also condemned the attack.

Although the identity of a few rebel officers – all middle-ranking – became known yesterday, it was not clear why the rebels had decided to try to seize power.

A senior military officer said Mr Perez twice barely escaped with his life during the assault.

The rebels, who included units from paratroop, artillery, infantry and armoured battalions, attacked La Casona, the official residence of President Perez, shortly after he returned there from a trip to Davos, Switzerland.

After a warning from General Fernando Ochoa Antich, the minister of defence, the president was moved to safety.

Failed coup, Page 6

FBI probes allegation of bugging at Citicorp head office

By Alan Friedman in New York

THE FBI is examining tapes of conversations inside the executive offices of Citicorp's Manhattan headquarters recorded by an outside security consultant who claims he has evidence there was a bugging system in the building.

Citicorp yesterday strongly denied there had been any eavesdropping system inside the bank, but confirmed that in mid-December of last year the recordings were brought to the attention of Mr Richard Braddock, Citicorp's president.

The bank said yesterday that it was approached in December by the New York-based consultant, Mr Tony Gattilo, who said he had evidence of bugging.

Mr Gattilo said yesterday that last autumn he began picking up radio transmissions of conversations at Citicorp concerning leveraged buy-outs, venture capital and real estate loans. Mr Gattilo said he was conducting a scan for another client for possible bugs at a building near Citicorp's Park Avenue headquarters.

The incident highlights the security problems facing large corporate institutions in an era of sophisticated electronic monitoring devices.

A former Citibank employee, acting as an intermediary for Mr Gattilo, brought the matter to Mr Braddock's attention on December 11. Two days later a meeting was arranged between Mr Gattilo and Mr John Cosenza, the head of Citicorp security.

Mr Gattilo said that some of the transmissions came from a bug in the office of Mr William Comfort, a senior vice-president of the bank who is chairman of the Citicorp venture capital division. Other transmissions, concerning real estate and other subjects, came from the bank's adjacent Citicorp Center building on Lexington Avenue.

Both Mr Gattilo and Citicorp agree that the transmissions from Mr Comfort's office ended just before the December 13 meeting.

Citicorp said it had conducted an extensive investigation and had concluded there was no bugging system at the bank. Instead, Citicorp said it believed the transmissions came from "inadvertent broadcasting" from what it called "somewhat obsolete teleconferencing units" linked to cordless telephones that were accidentally left on for a number of months both in Mr Comfort's Park Avenue office and at meeting rooms in Citicorp Center on Lexington Avenue.

Citicorp said it accepted the tape recording from Mr Gattilo on December 13 and turned it over to the FBI, alleging that Mr Gattilo was demanding to be hired as a consultant in exchange for more of the tapes.

Mr Gattilo yesterday denied this. He said that in bringing the matter to Citicorp's attention he hoped the bank might also retain his services to conduct a further investigation for the bank.

The bank said yesterday that it did not engage in electronic eavesdropping "both as a matter of policy with regard to the privacy of its employees and as a matter of compliance with the law."

Ukrainian chief seeks debt meeting

By Quentin Peel in Bonn

PRESIDENT Leonid Kravchuk of Ukraine yesterday proposed calling an international conference to arrange payment of its share of former Soviet debt, and hiring a western bank to act as debt manager.

At the end of a 24-hour official visit to Germany, the Ukrainian leader failed to give the Bonn government the assurances it was seeking that he would sign the international memorandum of understanding on servicing outstanding Soviet debt, negotiated by the Group of Seven industrialised states with eight of the former Soviet republics.

He insisted that he did not trust any former Soviet bank, such as the Vnesheconombank, which is being used by the other republics to service the old debts, last estimated at more than $60bn. "The Soviet Union no longer exists, and Vnesheconombank is bankrupt," he said.

German government sources indicated that they were disappointed at the failure to reach any agreement on the debt question. Without such a deal, Germany is not prepared to back Ukraine's membership of the International Monetary Fund, nor guarantee any new export credits.

On the other hand, Mr Kravchuk did give Chancellor Helmut Kohl two assurances designed to put his relations with Germany on a firmer footing. He spelt out how he intended to make Ukraine a nuclear weapon-free nation, and he promised to resettle up to 400,000 so-called Soviet Germans, descended from families expelled from the republic by Stalin during the Second World War.

He confirmed that Ukraine's planned national army would have a maximum strength of 220,000 ("only half that of France"), and that all tactical nuclear missiles would be withdrawn by July. All strategic weapons would be removed by 1994, he said.

However, it is debt which remains the main bone of contention. Mr Kravchuk does not dispute Ukraine's responsibility for just over 16 per cent of the former Soviet Union's debts, but he is not prepared to go along with a common solution with the rest of the republics to deal with it.

He said he would call a conference early in the year where "corrections" in servicing the debt could be agreed with creditors.

"I can say I have no trust in the former Soviet banks, and therefore we would propose that for example these debts should be paid back through a west European bank, which would manage them," he said.

However, Mr Theo Waigel, the German finance minister, made it clear that he would rather sign the common memorandum of understanding.

"It would be much easier for the process if the successor republics had a common line," a German official said later. "Signing the memorandum of understanding is important for further contacts."

Mr Waigel and Mr Kravchuk agreed that experts from both sides would meet soon to discuss the debt problem further.

Bush answers Japanese work ethic jibe

By Our Tokyo and Foreign Staff

PRESIDENT George Bush yesterday defended the US work ethic against disparaging Japanese comments and his economic recovery package against domestic Congressional criticisms, saying that growth and determination would help propel the world into "the next American century."

He avoided a direct attack on Mr Kiichi Miyazawa, the Japanese prime minister, who earlier in the day apologised for the "misunderstanding" he had caused by a parliamentary answer on Monday. Mr Miyazawa had told a Diet committee that he had felt for a long time that Americans "may have lacked the work ethic".

The remarks had been condemned by the White House in Washington as "not helpful".

Mr Bush, addressing a convention of 5,000 food store executives in Orlando, Florida, said: "We'll combine our common sense, our work ethic and our determination with pro-growth policies," adding, "Day-by-day and step-by-step we're going to get ourselves moving" out of the recession.

Rejecting criticisms from Democrats and Mr Jack Kemp, his own housing secretary, that the plan outlined last week in his State of the Union message and national budget was filled with "gimmicks", the president said: "I'm going to just keep challenging the Congress to pass it to get this economy on the move. We've got a good sound, stimulative package. And this is no time for political carping."

The exchanges between Tokyo and Washington highlighted the increase in bilateral tension since Mr Bush visited Japan last month.

Mr Richard Gephardt, House majority leader, called Mr Miyazawa's remarks an "ignorant expression of Japanese racism." "The Japanese prime minister is wrong. Americans work hard every day, and our productivity is higher than Japan's," he claimed.

Yesterday Mr Miyazawa said he had intended to criticise an over-emphasis on speculative financial activities in Japan as well as in the US, and not to criticise Americans. The ministry of foreign affairs added that the phrase "work ethic" meant "philosophy of work". The elaborate explanations offered indicate how sensitive Japanese officials are about antagonising the US.

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	F	13	55
Algiers	S	17	63
Amsterdam	F	4	39
Athens	F	13	55
Bahrain	C	18	64
Bangkok	F	34	93
Barcelona	S	13	55
Beirut	C	9	48
Belfast	R	10	50
Belgrade	F	7	45
Berlin	C	4	39
Biarritz	C	11	52
Bombay	S	29	84
Bordeaux	C	11	52
Boulogne	C	9	48
Brussels	R	7	45
Budapest	F	6	43
Buenos Aires	F	29	84
Cairo	F	14	57
Cape Town	S	24	75
Caracas	F	28	82
Casablanca	S	21	70
Chicago	C	3	37
Cologne	R	2	36
Copenhagen	S	4	39
Corfu	R	8	46
Dallas	R	10	50
Dublin	C	11	52
Dubrovnik	-	-	-
Edinburgh	C	4	39
Faro	S	17	63
Florence	S	12	54
Frankfurt	Sn	2	36
Geneva	R	4	39
Gibraltar	F	14	57
Glasgow	R	5	41
Helsinki	Sn	0	32
Hong Kong	S	22	72
Innsbruck	Sn	1	34
Inverness	S	4	39
Islamabad	F	18	64
Istanbul	F	3	37
Jakarta	R	31	88
Jersey	F	10	50
Johannesburg	F	29	84
Lima	C	27	81
Lisbon	S	12	54
London	C	12	54
Los Angeles	S	13	55
Luxembourg	Dr	3	37
Madeira	F	19	66
Madrid	S	10	50
Majorca	S	15	59
Malaga	S	15	59
Malta	C	18	64
Manchester	R	8	46
Manila	C	30	86
Melbourne	F	22	72
Mexico City	C	17	63
Miami	F	16	61
Milan	S	11	52
Montreal	F	-12	10
Moscow	Sn	-4	25
Munich	Sn	1	34
Nairobi	S	30	86
Naples	F	18	64
Nassau	C	24	75
New Delhi	S	18	64
New York	F	-1	30
Nice	S	13	55
Nicosia	F	13	55
Oporto	S	15	59
Oslo	F	3	37
Paris	R	8	46
Peking	S	4	39
Prague	Sn	1	34
Reykjavik	Sn	-6	21
Rhodes	F	13	55
Rio de Janeiro	C	31	88
Rome	F	15	59
Salzburg	Sn	1	34
San Francisco	S	10	50
Seoul	S	1	34
Singapore	F	31	88
Stockholm	S	-1	30
Strasbourg	R	3	37
Sydney	F	24	75
Taipei	R	21	70
Tangier	S	17	63
Tel Aviv	C	8	46
Tenerife	S	22	72
Tokyo	C	11	52
Toronto	Sn	-1	30
Tunis	C	15	59
Valencia	S	16	61
Venice	S	8	46
Vienna	F	4	39
Warsaw	F	2	36
Washington	F	-1	30
Zurich	Sn	2	36

Temperatures at midday yesterday. C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

The Eurotunnel paperchase

The difference between a Eurotunnel share issue and most others is that the Anglo-French company ends up with nothing tangible to show for it. The exercise is wholly dilutive. It is therefore not surprising that the market was less than enthused by yesterday's rumours, later confirmed, that the tunnel operator has toyed with a plan to issue new paper rather than ready cash to the disgruntled contractors.

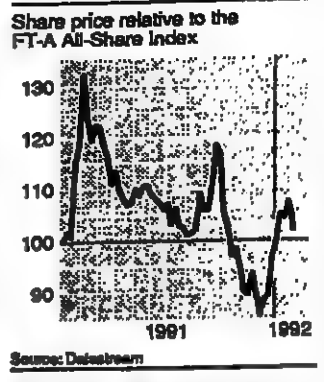
It is not clear, though, that existing shareholders need be sceptical. For a start, Eurotunnel's articles ensure that nothing can be done behind their backs. Beyond that, they might as well face facts. It is most unlikely that the £850m or so margin between Eurotunnel's estimated peak financing requirement and total available resources will be enough both to settle the claims and to pay for the likely cost overruns between now and the tunnel opening. Investors should not set their minds against anything which might just break the present deadlock, and which would have the added attraction of tying in the likes of Taylor Woodrow, Wimpey and Costain more firmly over the next 18 months to two years.

The main issue, though, is whether the builders would be tempted. They are arguably under more pressure than Eurotunnel, with the finalisation of their 1991 accounts looming. Whether they would surrender their right to real money is another matter. They would certainly be wise to demand a hefty discount on new shares in return for any restrictions on selling them.

FT-SE Index: 2,556.8 (-3.4)

Eurotunnel

Share price relative to the FT-A All-Share Index



Source: Datastream

Electricity

The row over electricity prices for large users has resurfaced at an awkward time for the government, and more so for Mr John Baker, the chief executive of National Power. Presumably, Mr Baker already regrets his recent attempt to deflect criticism of the two generators, in which he urged large users to look past higher prices and examine instead the subsidy they pay to Nuclear Electric. He thereby handed them a surprisingly powerful weapon. Their threat to withhold the nuclear levy, which adds 11 per cent to their bills, is a neat way to extend an argument which appeared lost.

It may be that the government will turn a blind eye and hope the problem fades as the next round of electricity contracts is signed. But there is no suggestion that the generators intend to reduce prices. The prospect that small consumers would eventually pick up the tab is uncomfortably close to the hidden subsidy to industry that privatisation was designed to end. Meanwhile, Nuclear Electric has been reminded that by any normal measure it is hopelessly uncompetitive.

The question is whether there is anything more than political horse-trading to be done. The answer is almost certainly not. After all, the roots of the problem lie in the industry structure chosen by the government, which will scarcely be altered now. The generating duopoly has been putting up electricity prices much as forecast before privatisation. What was not foreseen was that large industrial customers would be in deep recession. But their attempt to appeal to the government is an implicit admission that head-on confrontation with the generators is fruitless. That explains why the generators' shares have so far been unaffected. Cautious investors are doubtless not counting on the argument disappearing altogether.

Perrier

The lull in the battle for Perrier, as all sides seek advantage in the courts, is another striking reminder of that great cross-frontier struggle in 1988 between Mr Carlo De Benedetti and Société Générale de Belgique. Then, as now, an Italian was cast in the role of unwelcome guest at a Francophone feast. Then, as now, the local establishment enlisted outside support to repel the threat, and Parisian banks were at each other's throats. Even the contentious issuing of Perrier Treasury stock to Agnelli's allies at St Louis – the subject of the most important legal argument at present – has a parallel in the hasty issue of shares by SGB to its trusted friends.

The interesting question is whether the hectic Brussels denouement, involving a frantic race for the last free shares, will be repeated. The odds must be against it. One of the differences this time is that Mr Gianni Agnelli, unlike Mr De Benedetti, is not an outsider. Pride would obviously not allow him to accept outright defeat; but though some of his alliances appear to have broken down, they are probably strong enough to leave room for compromise.

New issues

A remarkable number of flotations is being mooted on the London market, ranging from the big to the enormous. The companies are domestic – MFI and 3i – and international, such as Guinness Peat Aviation and Waste Management International. The revival of public offerings is not new in the US, where the total raised last year was not far short of the 1987 record. But in the UK the phenomenon is more curious, given the uncertain economic outlook and the imminence of the election.

It could plausibly be argued that private companies have until lately been crowded out of the UK market by the privatisation programme. It may also be that companies are now more confident about their future; though in that case, it is not immediately obvious why they should dilute their equity and reduce their debt ahead of the upturn. It is also possible that UK companies do not actually intend to float before the election, but nevertheless think it prudent to set the ball rolling early. All that leaves open the question of why investors, who are plainly in two minds about the equity market in general, should warm to untried newcomers.

In the case of US companies seeking to float simultaneously in the US and Europe, investors might be more wary again. International equity offerings have become commonplace enough in recent years. But at a time when most US stocks are rated higher than their UK counterparts, the attraction of tapping a wider pool of savings may be offset by the reduction in the earnings multiple. Investors may also recall London's great US flotations of the past, ranging from the ghastly International Signal down to the hapless Mrs Fields.

INSIDE

Sears, Roebuck seeks $1bn offering

Sears, Roebuck, the US retail and financial services group, intends to make a preferred stock offering of 25m depository shares, worth around $1bn to reduce debt and strengthen the company's balance sheet. The announcement came as Sears reported improved results for the fourth quarter and the whole of 1991. In the fourth quarter, net income rose 35.5 per cent to $523.1m, or $1.48 per share. Page 14

Tough times in property

Property shares subsided across the globe in the final quarter of 1991 but few markets risk as steep a fall in property shares as the UK, where the sector has dropped by 41 per cent during the last three years. Page 32

La Cinq attracts musical bid

Vogue, the French record company which lists Johnny Halliday and Françoise Hardy in its back catalogue, has submitted a rescue bid for La Cinq, the ailing French television station. Vogue employs 110 people and its 1991 turnover was around FFr200m ($36.8m). Page 14

Laidlaw to raise C$242m

Laidlaw, the Canadian waste services and school bus operator, is raising C$242m (US$206m) through a common share issue which it will use to reduce debt and provide for possible acquisitions. Page 14

Dutch disclosure on shares

A law which came into force in the Netherlands this week requires domestic and foreign investors have 30 days to register any stake of more than 5 per cent in Dutch companies or investment funds listed on the Amsterdam bourse. Page 16

Improvement at CMI

A slowdown in world stainless steel production and weak prices caused Consolidated Metallurgical Industries, a member of Johannesburg Consolidated Investments, one of South Africa's leading mining groups, to record a loss of R180,000 ($64,000) in the six months to the end of December. However this was an improvement on the R14.7m loss the group made in the same period in 1990. Page 15

Ryanair records first profit

Ryanair, the Irish carrier, made a small profit last year – the first since it was launched in 1986. After accumulating losses of nearly I£19m ($31.9m) since 1986, last year's pre-tax surplus was I£300,000. The profit reflects restructuring and a clampdown on costs during the past 18 months. Page 17

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Falls**			
Colonia Konz	1018	+	33	Credit National	1050	–	30
Didier-Werke	163	+	11.8	Essilor Int	326	–	9
Porsche	808	+	19	Fonc Lyonnaise	585	–	23
Rheinmetall Ber	279	+	9	Poliet	442	–	13
Schmalbach Lub	515	+	15.5	SILIC	565	–	15
Falls				Union Immob Fr	481	–	15
Lufthansa	172.5	–	8.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Fukusuke	1050	+	105
Beckman Instr	21¼	+	1½	Hitachi Works	1330	+	110
Chrysler	16⅜	+	1⅜	Konami	3830	+	300
Control Data	12¼	+	1	Toyo Steel	1170	+	120
General Motors	35	+	1⅝	Yuasa Trading	352	+	25
Pepsico	33¼	+	¾	**Falls**			
Falls				Nissan Fire	2080	–	250
Kemper	36¾	–	4				

LONDON (Pence)							
Rises				Wickes	65	+	[illegible]
BritAerospace	290	+	11	Wilkes (J)	168	+	6
Calor	212	+	11	**Falls**			
Heritage	26	+	3	Elliott (B)	6½	–	9½
Life Sciences	167	+	8	Eurotunnel	445	–	15
Midlands Radio	89	+	16	Fyffes	68	–	5
PrinTech	79	+	4	Haggas (J)	78	–	2½
Racal Elects	51	+	4	Hestal Whiting	51	–	8
Seton Hithcare	300	+	9	P-E Intl	110	–	[illegible]
Stanhope Props	29	+	4	Tiphook	400	–	15
TI Group	599	+	19	Vaux	[illegible]	–	8
Union Discount	136	+	9				
Wace	132	+	7				

Contractors may be paid in Tunnel shares

By Andrew Taylor, Construction Correspondent, in London

EUROTUNNEL, the Anglo-French tunnel operator, could offer new shares in part settlement of claims for extra payments of more than £1bn ($1.8bn) being sought by contractors building the project.

Such a move would dilute the holdings of existing shareholders but might get over a hurdle of how to finance part of the increased cost of the project which since 1987 has risen from £4.8bn to more than £8bn.

Eurotunnel's share price yesterday fell 15p to 445p following speculation that settlement of claims might include a share issue.

Transmanche Link (TML), a consortium of five British and five French construction companies building the project, have been locked in negotiations with Eurotunnel over claims for extra payments since November.

A member of the consortium said yesterday: "Various possibilities are being explored including the possibility of Eurotunnel issuing new shares.

"These discussions are continuing and no deal has been agreed. If such an an offer was made it would form only a very small part of any settlement."

Eurotunnel yesterday declined to comment on speculation of how it might fund payment of claims.

It said: "At present there is no agreement in prospect either on the amount or on the possible form of payment."

It added that any issue of new shares "would require the consent of Eurotunnel shareholders which has not been sought".

Transmanche is claiming extra payments of up to £800m at 1985 prices, including a £160m additional management fee, to cover the increased cost of fitting out the rail tunnels and building two passenger terminals at Folkestone, Kent, and Sangatte, northern France.

Eurotunnel has told contractors that it has set aside contingency funds of up to £450m at 1985 prices to cover possible claims – although not all this money might be available if contractors do not substantiate their claims under the terms of the contract.

TML has threatened to halt work on the project unless it is paid at least sufficient to cover the cost of the works.

A bid by Eurotunnel to prevent contractors halting work on installing a cooling system in the twin rail tunnel was rejected last month by the British Court of Appeal. The contractors, however, are unlikely to halt work while negotiations are continuing.

Lex, Page 12

American Express bolsters life group

By Nikki Tait in New York

AMERICAN Express, and its Shearson Lehman investment banking subsidiary, have agreed to inject $50m in First Capital Life Insurance Company (FCL), the ailing Californian life company which was seized by the state insurance regulators last May, and to underpin the value of policy holders' contracts.

The aim is to rehabilitate the insurer, whose troubles stemmed largely from its heavy junk bond exposure and a policy holder run last year. As part of the deal with the Californian regulators, Amexco/Shearson will take over management of FCL, earning a "modest" but undisclosed fee, and sell down a portion of the junk bond portfolio.

They will have an option, during a five-year rehabilitation plan and for a short period after this, to acquire 100 per cent of FCL's assets and liabilities at 20 per cent of their actuarially-determined value. At end-1991, FCL had about $4bn in assets, 190,000 policy holders and 60,000 annuitants.

The Amexco/Shearson involvement with FCL dates back to the 1980s. In November 1988, Mr Robert Weingarten, who had built up the fast-growing company, sold his family stake in the insurer's parent company to Shearson. Shearson, meanwhile, sold a large number of FCL policies to its own clients between 1986-91.

When the junk bond market collapsed and the troubles at Executive Life, another junk-ridden Californian insurer, hit the headlines, many FCL policy holders cashed in their policies. About 36,000 contracts were surrendered between January 1991 and May when the regulators stepped in.

Last spring, Mr John Garamendi, the Californian insurance commissioner, met resistance when he sought capital from Amexco/Shearson, which holds a 28 per cent stake in First Capital Holdings (FCH), the bankrupt parent company.

Amexco/Shearson has taken a $144m write-off for the FCH stake. Yesterday, Mr Howard Clark, Shearson chairman, said he expected no further impact on the profit and loss account as a result of the agreed guarantees at FCL.

Under the deal announced yesterday, policy holders who stay with FCL are assured of 100 per cent of their account values, 100 per cent of death benefits, and continue to earn guaranteed interest rates. When the guaranteed interest rate period ends, they will earn a rate based on FCL's performance during the rehabilitation period. There are options for policy holders who wish to quit the company, while those who surrendered policies in 1990-91 are permitted to reinstate them.

Invested assets at the insurer are currently put at approximately $3.6bn.

Electrolux profits fall 27% to SKr1.02bn

By Robert Taylor in Stockholm

ELECTROLUX, the world's largest white goods manufacturer, yesterday reported steeply lower profits for 1991 in spite of a substantial final-quarter improvement.

Fourth-quarter profits (after adjustment for capital gains and restructuring costs) rose 18 per cent to SKr335m ($57.9m) from SKr284m for the same period of 1990.

The company said operating income after depreciation increased slightly in the quarter to SKr482m from SKr386m.

For 1991 as a whole, profits (after financial items) tumbled by 27 per cent to SKr1.025bn.

The result was better than many analysts expected. Group income benefited from SKr250m in capital gains from divestments.

Sales fell by 1 per cent in 1991 to SKr79.1bn.

Earnings per share after full tax declined to SKr5.50 from SKr10.10, while return on equity after full tax fell to 2.4 per cent from 4.3 per cent.

The dividend is being held at SKr12.50 a share.

Electrolux said the dividend decision should be seen against the background of the good long-term prospects for core operations and the substantial investments that have been made in recent years in terms of production facilities and new generations of products.

Electrolux added that lower capital expenditure and efficient capital management had generated a positive cash-flow last year and additional improvement was expected during 1992 as a result of the SKr901m restructuring programme.

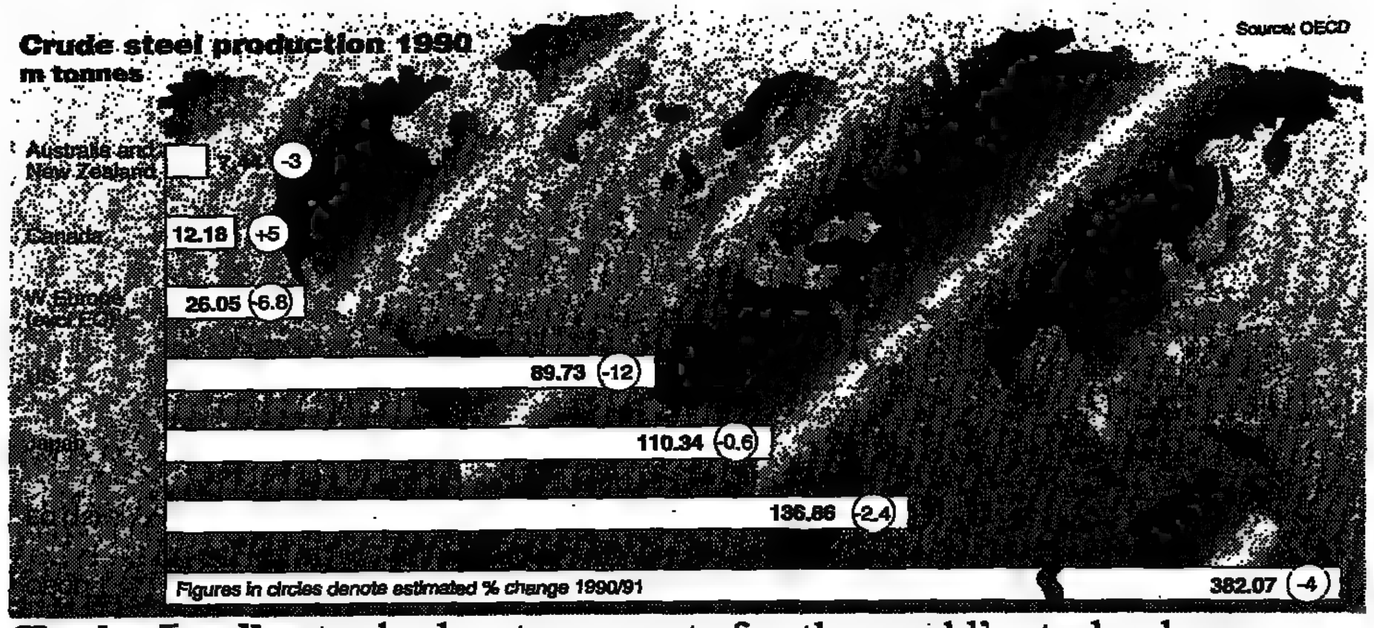
This has involved the closure of 10 large plants and around 15,000 job losses since it began in the second half of 1990. It is estimated that the company has saved SKr3bn through rationalisation.

The improvement in the fourth-quarter results stemmed from a slight increase in sales in household goods and outdoor products.

But Electrolux said there had been a substantial decline in operating income for industrial products, mainly because of the performance of the Granges aluminium product subsidiary.

Commercial services showed a downturn in the final three months.

● Finnish state-owned oil and chemicals group Neste has formed a joint venture with Conoco and Catalytica, both of the US.



Charles Leadbeater looks at prospects for the world's steelmakers

Crisis casts a long shadow

The world steel industry probably wishes it could start 1992 over again. It has got off to a bad start.

In Europe thousands of jobs are being cut. Early last month British Steel announced plans to close the remaining blast furnaces at its forlorn Ravenscraig plant in Scotland.

Usinor Sacilor, the French state-owned group which is Europe's largest producer, last week estimated its 1991 losses at FFr3.1bn (£317m) and announced plans to cut 8,000 jobs, about 18 per cent of its workforce in the next three years.

The normally stable German producers, the heart of the European industry accounting for about a third of production, are in turmoil. This week's pay agreement with IG Metall to avert a strike is likely to lead to a faster rate of job losses. German analysts expect at least 6,000 job losses this year in the industry's workforce of 130,000.

They will be partly produced by mergers among Germany's string of steelmakers. By the end of the year Krupp and Hoesch should have merged to create a second force in the German industry to compete with Thyssen, which is merging its special steels division into its general steel.

The prospect of both these groups cutting their costs is almost certain to put pressure on medium-sized steel producers such as Klöckner Werke and Peine Salzgitter in Germany and Hoogovens in the Netherlands to follow suit by gaining economies of scale through partnerships and alliances.

Ilva, the Italian group which is Europe's second largest producer is in the midst of a plan to sell 20 per cent of its production. But with its profits plunging and few buyers in the market for inefficient steel plants it seems almost certain that Ilva will be pushed into politically painful moves to cut costs and jobs.

The tale of woe from Europe's leading integrated steel producers is echoed across the Atlantic.

Inland Steel last month reported it made its largest ever loss in 1991 of $275m (£151m). It plans to spend about $215m in the next three years to cut about 3,500 jobs.

US Steel, the largest integrated producer which is the steel arm of USX, reported a loss for the year of $507m against net income of $310m in 1990. Bethlehem Steel, the second largest producer, is to cut its workforce by almost 25 per cent by selling or closing down several operations.

In the coming months the US and European producers could be joined by Japan's integrated producers in declaring sharply lower profits.

The mighty Nippon Steel, the world's largest producer has already warned that profits are under severe pressure.

Yet these three months may mark the industry's low point from which it could begin to recover.

Demand may be stabilising. The OECD expects steel demand in the OECD economies to fall by about 1 per cent this year after a 5.2 per cent fall last year. Prices for steel used in some consumer products are firming in Europe and the US. The worst may be over as stronger world growth encourages a revival in investment and output from vital customer industries such as cars and trucks.

That optimism may be misplaced. The path to recovery is difficult to predict because the course of the downturn has confounded expectations. In both the US and Europe the decline in output and demand has been relatively modest but the impact on the steelmakers' finances has been great.

Mr Christopher Plummer, director of steel services for Wefa, the Pennsylvania-based forecasting group said: "The volume of US steel shipped to customers last year fell by 8 per cent. In previous recessions the fall was more than 20 per cent. The fall in volumes has been mild but the financial and corporate impact has been huge."

The explanation is that in Europe as well as the US structural factors have exacerbated the fall in output as marginal producers have been able to set very low prices.

In the US the main complicating factor has been the rise of the low cost mini-mills, which combine new technology electric arc furnaces with non-union labour, innovative payment systems and wafer-thin management layers, to produce low cost steel especially for the construction industry. Through the depths of the recession the most competitive mini-mills – Nucor, Chapparal and Birmingham – have been making profits, according to Mr Plummer.

In Europe the problem has been created by subsidised public sector producers who cut prices to maintain market share and keep plants running. These producers have driven down prices for the rest of the industry.

The growing integration of world steel markets has amplified the pricing problem. For much of the last two years lower demand from the former Soviet Union and China has forced exporters to find other markets for their steel. In the next year lower steel demand in Japan and Germany will force their producers to export more. This could dash the hopes of US and European producers that 1992 will bring a measure of stability.

This year US exports are likely to fall by 22 per cent while imports to rise 8 per cent sucked in by the expected recovery.

Any recovery this year in the steel markets of Europe and the US is likely to be halting and patchy. The companies which stand to benefit will be in the right parts of the steel market, in the right parts of the world.

Long products producers, who supply beams and heavy-duty wire to the construction industry, will continue to suffer on both sides of the Atlantic. In the US virtually all the big integrated producers have withdrawn from this sector in the face of the competitive challenge of the mini-mills.

The main beneficiaries of recovery will be groups such as Usinor, Hoesch and Thyssen of Germany which are the biggest flat products makers.

The other factor which should distinguish groups able to take advantage of recovery will be the geographic spread of their activities. Thyssen should be hit by slower growth in Germany but it makes 15 per cent of its revenues in the US which should be recovering, compared with US turnover of 5 per cent at British Steel.

The boom of the late 1980s which returned steelmakers to profit in the US and Europe proved shortlived. The effects of the downturn of the early 1990s will reverberate through the industry for several years to come.

Forte cleared on property depreciation policies

By Andrew Jack in London

FORTE, the hotels group, yesterday agreed to provide more information on property depreciation policies in its next annual report, in the fourth public settlement reached by the Financial Reporting Review Panel, the new watchdog of the Accounting Standards Board.

The panel said it accepted Forte's explanation and saw no need for further action, but that the company had agreed to provide more information on depreciation policies in the future.

The move appeared to clear Forte of any violation of existing accounting standards, but also implicitly endorsed the practice of not depreciating certain fixed assets which has been adopted by a significant number of companies. Forte does not depreciate freehold properties or those on leaseholds longer than 20 years, arguing that their long lives and the money spent each year on repair and improvement make any depreciation charge "insignificant".

The panel investigated the company's approach to see whether it contravened SSAP 12, an accounting standard that deals with depreciation. It states that there should be a provision for depreciation on fixed assets with a "finite useful economic life" equivalent to the difference between their cost and their "estimated residual value".

In Forte's accounts for the year to January 31 1991, land and buildings held freehold or on long leases are valued at £2.7bn ($4.88bn) or 62 per cent of all fixed assets, compared with £2.6bn or 66 per cent for the previous 12 months.

The panel's acceptance of Forte's accounts is likely to encourage other companies to continue using similar techniques on their balance sheets.

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UK composites face 25% rise in reinsurance costs

By Richard Lapper in London

BRITISH insurers are facing increases of at least 25 per cent in their reinsurance costs following a tough round of negotiations with international reinsurance companies. The rises promise to inflict further damage on a sector facing its most difficult trading environment for a generation.

The country's big five general insurers – Commercial Union, Sun Alliance, Royal Insurance, Guardian Royal Exchange and General Accident – are all affected by the rises, which will add £25m ($45m) to their costs.

Reinsurers, such as Germany's Munich Re, last year increased rates by up to 400 per cent after they bore the brunt of the devastating storms of January 1990.

The composites had been expecting to avoid further increases this year. However reinsurers, who are themselves facing losses from a string of catastrophes over the past five years, have taken a hard line and forced through price rises and tougher terms.

According to one analyst, Mr Allan Nicholls of James Capel, the "market has tightened further for UK companies".

Analysts suggest a number of companies have not been able to complete their reinsurance programmes and, in general, insurers have been forced to carry a greater proportion of risks on their own accounts.

"If there was another winter storm the companies would pay more on their net account. They would get less back from their reinsurers," said a leading reinsurance broker.

The extra costs are further bad news as the industry braces itself to post record-breaking losses of more than £1bn in 1991. Its reporting season begins in three weeks.

Mortgage indemnity business – which is not generally reinsured – will generate over half the total loss.

Analyst Mr Stephen Bird, of securities house Smith New Court, expects cross-the-board deterioration elsewhere, with mounting losses from recession and weather-related claims.

The sector's capital base has been reduced by over £600m, exposing the two weakest companies – Guardian Royal Exchange and Royal Insurance – to the risk of takeover.

Bull in search for new capital

By William Dawkins in Paris

BULL, the French state-owned computer-maker which last week sealed a wide-ranging alliance with IBM, the US computer giant, is working with the Finance Ministry on how to raise substantial new equity capital.

Mr Francis Lorentz, Bull chairman, told Les Echos newspaper yesterday that neither IBM's arrival nor the recent equity capital injections solved Bull's long-term financial problems. IBM is expected to pay around $100m for a 5.7 per cent stake in the French group, although the final details have yet to be settled.

"IBM's contribution is not useless, but it is not up to the size of our recapitalisation problem. It is significant and constitutes a mark of confidence," Mr Lorentz said.

He would give no details of how much Bull needed, beyond adding: "We are reflecting on complementary measures of two types: firstly, a transitional arrangement for the two years ahead, awaiting a real recovery; secondly, something more durable."

Bull had long term debts of FFr9bn ($1.66bn) in its last balance sheet, for 1990. It is due to publish 1991 results towards the end of this month, which are expected to show operating losses half the FFr2.4bn operating deficit in 1990. A similar reduction can be expected from the FFr6.8bn net loss shown in the same period.

Bull received FFr2bn in fresh capital from the French government last July and expects another FFr2bn this year, said an official. Both equity injections are being investigated by the European Commission, but officials feel that Brussels is unlikely to declare that they amount to unfair state aid now that IBM has agreed to invest in Bull on commercial terms.

Elf expects 7.5% fall in profits

By William Dawkins

ELF AQUITAINE, the larger of France's two state-controlled oil groups, yesterday estimated that 1991 net profits would show a 7.5 per cent decline.

It attributed the setback to the decline in oil prices over the period, a depressed chemicals market, and steep growth in acquisitions and investments. Given the pressure on margins, the results were satisfactory, said Mr Loïk Le Floch-Prigent, the chairman.

According to Elf's estimate, net income fell to FFr9.8bn ($1.81bn) from FFr10.6bn in 1990, on sales up to FFr190bn from FFr175bn. This contrasts with the 41 per cent net profits increase expected for 1991 by Total, Elf's smaller state-controlled rival. Total depends more heavily on refining and has a lower exposure to oil price changes.

The French government was due to sell just over 2 per cent of Elf's shares, worth about FFr2bn, before Christmas, but the plan has been shelved awaiting a fuller stock market

Loïk Le Floch-Prigent: satisfactory results

recovery. Mr Le Floch-Prigent said it was up to his state shareholder to decide when to sell and he had no information on its plans.

Elf's capital spending rose by 35 per cent last year to FFr42.5bn, including the acquisitions of a Norwegian oil group, refineries and filling stations in the UK, Spain and Germany, and Occidental Petroleum's North Sea acreage.

Acquisitions of 48m tonnes of proven reserves and discoveries of 41m tonnes helped lift total reserves by 13.6 per cent to 475m tonnes. This was well on track for the group's ultimate target of 600m tonnes, said Mr Le Floch-Prigent.

Elf was successfully continuing with its policy of getting a balance between its upstream and downstream businesses, so that half of last year's FFr19bn operating profits came from exploration and production, with the rest from refining, chemicals and pharmaceuticals. Overall operating profits were FFr20.5bn in 1990. Three years ago, Elf drew nearly two-thirds of its operating earnings from upstream activities.

By sector, operating profits in exploration and production fell to FFr9.5bn from FFr11.8bn, while earnings from refining and marketing rose to FFr4.6bn from FFr1.4bn, helped by an exceptional gain.

Vogue submits Le Cinq rescue bid

By Alice Rawsthorn in Paris

VOGUE, the French record company, has submitted a rescue bid for La Cinq, the ailing French television station.

This morning, Mr Hubert Lafont, who was this year appointed as La Cinq's administrator after the station filed for bankruptcy, will announce whether he has found an acceptable buyer for the channel.

Vogue's chief competitor as La Cinq's saviour is Mr Silvio Berlusconi, the Italian media mogul who already owns 25 per cent of the shares and on Monday announced a FFr1.5bn ($270bn) recapitalisation plan for the channel.

Mr Berlusconi claims to have already found enough potential investors for his package. He also intends to increase his investment, maintaining his holding at 25 per cent, the maximum allowed under French law. If other existing shareholders, whoh include the Hachette media group and Crédit Lyonnais, the French bank, did not reinvest, their holdings would be so diluted that Mr Berlusconi and his partners would be in a very powerful position.

Vogue said yesterday that it saw its bid as a means of "preserving the French character" of La Cinq. Vogue, which is owned and run by Mr Jean-Louis Detry, is one of a handful of French record companies in an industry dominated by the US and Japan. It employs 110 people and turned over around FFr200m in 1991.

Any rescuer for La Cinq must conform to the French criteria for the ownership and management of TV stations. If Mr Lafont decides that none of the mooted rescues is suitable, La Cinq will close.

UBS takes over assets of regional Swiss bank

By Ian Rodger in Zurich

UNION Bank of Switzerland (UBS), the largest Swiss bank, has taken over the SFr2bn ($1.40bn) in assets of one of the country's largest regional banks, Bank EvK, Ersparniskasse von Konolfingen.

The takeover is the second in the Swiss banking sector this week, and part of the long-expected consolidation of Switzerland's more than 600 banks.

The process appears now to be accelerating because many smaller banks, including Bank EvK, are being squeezed by the recession and especially by the slump in the Swiss property market.

On Monday, Banque de l'Etat de Fribourg said it was taking over Banque de la Glâne et de la Gruyère, a bank with SFr250m in assets.

UBS said EvK was, on the whole, a good bank without fundamental problems, but it had to make special provisions on bad loans last year of about SFr70m and that left it with insufficient capital and reserves to comply with the Swiss Federal Banking Commission's stiff requirements.

Bank EvK, based in Grosshöchstetten, near Bern, first got into trouble last October following the sudden closure by the Banking Commission of another local bank in the Bern region, Spar und Leihkasse Thun.

Shock over this unprecedented step by the authorities drove many people to withdraw their savings from other regional banks, including Bank EvK.

At the time, UBS provided a liquidity guarantee and both banks hoped that would enable it to overcome its problems.

UBS will integrate Bank EvK's head office, nine branches and 140 employees into its own domestic network immediately. Some branches could be closed following a review of their operations.

It is the third regional bank that UBS has taken over in the past two years, and the bank expects to absorb others in the future.

Stena Line chief to resign

By Robert Taylor

MR Lars Erik Ottosson, chief executive and president for the past 10 years of Stena Line, the Swedish shipping group, is to resign, it was announced unexpectedly yesterday.

Mr Ottosson, aged 45, was the driving force behind Stena's rapid expansion during the late 1980s. The group acquired Sealink, the UK ferry business, in 1990.

"It is time to do something new," he said yesterday. "The company is going into a period of consolidation and I am more interested in expansive and strategic managerial duties."

The company said that operations in Scandinavia were "going better than ever" and its savings programme at Sealink had been implemented.

Stena made a pre-tax loss of SKr300m ($51.5m) last year. A spokesman said the company would make a profit this year "on all its operations".

There were strong denials that Mr Ottosson's departure was due to any difference of opinion inside the group over its future strategy. He will leave the company in May. A successor has yet to be appointed.

DSM to divest computer arm

By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, has signed a letter of intent on transferring its computer services and software department to Raet, a Dutch automation group, as part of its policy of "outsourcing" non-core staff and service activities to other companies.

The computer department, which is called Computer Centrum Nederland, employs 300 people. It has an annual turnover of about Fl 90m ($50m), of which 15 per cent is generated outside DSM.

The divestment, if completed, would involve the second biggest transfer of a DSM staff department to another company since the chemicals group transferred its 460-employee maintenance department to Stork, the Dutch engineering group, in January.

As in the case of maintenance, the computer department will continue to work for DSM after ownership is transferred to Raet.

As part of its long-term strategy, DSM is seeking to focus on core businesses as well as carrying out a policy of further decentralisation. A decision on the computer services sale is expected later this year.

Lufthansa sees DM400m loss

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline, expects a loss of around DM400m ($250m) for 1991.

Two months ago, when reporting a pre-tax loss of DM159m for the first nine months, the company said it would offset its operating loss through aircraft sales and transfers from reserves.

Yesterday, however, it said the market for second-hand airliners was so weak that it had 14 unsold aircraft.

Lufthansa had also experienced a final quarter worse than hoped because of the continued weak state of the world economy. Full results will be announced in May.

The airline, just over half of whose equity is state-owned, began the year poorly with a loss of DM475m in the first quarter, a period which suffered from the impact on business of the Gulf war. But it made a profit of DM145m in the second quarter and DM172m in the third.

Lufthansa's 1991 loss comes despite higher traffic volumes and turnover.

Sears prepares to reduce debts with $1bn offering

By Barbara Durr in Chicago

SEARS, Roebuck, the US retail and financial services group, intends to make a preferred stock offering of 25m depository shares, worth around $1bn.

Mr Edward Liddy, Sears' chief financial officer, said the aim was to reduce debt and strengthen its balance sheet.

In a filing with the Securities and Exchange Commission, the company said each share would represent one-fourth of a share of mandatorily exchangeable shares, known as Percs.

The announcement came as Sears reported improved results for the fourth quarter and the whole of 1991. In the quarter, net income rose to $523.1m, or $1.48 a share, against $378.8m, or $1.10, a year ago.

Cost-cutting in the Merchandise Group helped boost fourth-quarter performance. The retail group posted income of $289.1m, against $95.6m in the year-ago period, which included a restructuring charge of $155.2m. Without the charge, fourth-quarter 1991 income rose 15 per cent.

The profit was, however, squeezed from a small increase in retail revenues in the fourth quarter – $9.5bn compared with $9.44bn last year.

"It's too early to say Sears has turned a corner," said analyst Mr Richard Nelson at Duff & Phelps. "We'd like to see sustainable sales growth."

Sears' overall net income for 1991 increased by 41.8 per cent to $1.28bn, or $3.71 a share, from $902.2m, or $2.63, in 1990.

The 1991 results reflect a change in US accounting standards that will eliminate deferred tax charges taken by Sears in 1991.

The charges totalled $185.5m for the first three quarters and were reduced by a credit of $35.5m. Prior to the accounting change, fourth-quarter net income was $552.6m, or $1.60 a share, and for the full year $1.14bn, or $3.32.

Allstate Insurance income increased to $722.5m, compared with $551.8m from continuing operations in 1990 before a one-time tax benefit.

Sears was also buoyed by a good year at its securities trading and credit card group, Dean Witter, which reported income of $344.6m, up from $232.9m in 1990.

Even the real estate division, Coldwell Banker, managed a significant improvement in income, which rose to $60.6m from $25.5m in 1990.

Imperial Oil to cut 12% of its staff

By Bernard Simon in Toronto

IMPERIAL Oil, Canada's biggest oil company, yesterday unveiled a reorganisation which includes the closure of about 1,000 retail outlets, unspecified cuts in refining capacity, and a 12 per cent reduction in its 14,000-strong workforce.

The restructuring, hastened by severe pressure on all sectors of the oil and gas industry, includes turning business operations which operate as free-standing units into divisions of the parent company.

Imperial is 70 per cent owned by Exxon of New York. It suffered the first operating loss in its history last year.

Mr Arden Haynes, chairman, said yesterday that "these are tough times and they call for tough but sensible actions."

The company said that it would cut its refining capacity in Ontario, and said that prospects for its Ioco refinery in British Columbia were "very difficult".

Mr Haynes said "while decisions on specific refineries will be made later in the year, there is no doubt some rationalisation is required."

Imperial's refining capacity is about 510,000 barrels a day (b/d). Its Nanticoke and Sarnia refineries in Ontario have a combined capacity of 218,000 b/d. The Ioco plant has a 43,000 b/d capacity.

The company is also considering divestment of non-core chemicals businesses.

Cummins improves performance

By Martin Dickson in New York

CUMMINS Engine, the loss-making US maker of diesel engines, improved its financial performance in the fourth quarter and said it expected to return to profit in the first quarter of this year.

The company, hit hard by weakness in the North American heavy truck market, reported a net loss for the quarter of $2.3m, or 29 cents a share, compared with a loss of $59m, excluding a $65.3m restructuring charge, and a $5.3m extraordinary credit in the same period last year. Sales fell from $892m to $856m.

Cummins said the figures reflected a continued improvement in operating results, helped by a cost-reduction programme and strong demand for its B and C series mid-range engines. Its successful 1991 product launch had meant lower product coverage expenses.

For 1991 as a whole, it lost $14.1m, or $1.49 a share, on sales of $3.4bn, including a $51.5m gain because of an accounting change.

In 1990, it lost $137.7m, including unusual charges, or $12.25 a share, on sales of $3.5bn.

Cummins expected to be profitable in the first quarter even though no economic improvement was foreseen in most of its markets.

Control Data in red after charges

By Louise Kehoe in San Francisco

CONTROL Data, the US computer systems and services company, suffered a net loss for 1991 after restructuring charges. Revenues declined as sales of computer products and automated lottery equipment slowed, the company said.

Net losses for the year were $9.8m, or 24 cents a share, on revenues of $1.5bn. In 1990, Control Data reported net earnings of $2.7m, or 5 cents, on revenues of $1.7bn. Excluding pre-tax restructuring charges of $12.1m, the company was modestly profitable for the year.

It reported a fourth-quarter net loss of $15.2m, or 36 cents, after a restructuring charge of $17.5m as the company realigned its computer products operations. Last year, it suffered a net loss of $23.8m, or 56 cents.

Revenues for the fourth quarter declined to $402.9m from $429.7m.

"Satisfactory results in most of the information services businesses and government systems were more than offset by the effect that the deteriorating economy and industry issues had on the automated wagering and computer products businesses, and by restructuring charges," said Mr Lawrence Perlman, president and chief executive.

Restructuring plans, announced last September, have reduced costs and expenses, the company said.

GTE reports 10% earnings rise in fourth quarter

By Martin Dickson in New York

GTE, the largest local telephone company in the US, yesterday reported a 10 per cent increase in fourth-quarter net income, in spite of the slowdown in the US economy.

Net income totalled $515m, or 57 cents a share, compared with $467m, or 52 cents, in the same period of 1990. Revenues and sales rose 7 per cent to $5.2bn.

Income from continuing operations, excluding GTE's electrical products business, which is being divested, totalled $481m, or 53 cents, up from $435m, or 48 cents.

The company said the results reflected the continuing weakness of the economy, offset partly by lower interest rates. Excluding an accounting change, earnings per share from continuing operations rose 6 per cent.

GTE's telephone operations produced a 3 per cent rise in fourth-quarter operating income to $1bn, against 5 per cent for the year; the company blamed the slowdown of the economy. Telecommunications products and services produced income of $35m, compared with a loss of $18m in 1990.

GTE, which acquired Contel, a large local and cellular telephone company last year, said customer growth in the cellular area had continued at a high level in 1991.

Some 84,000 customers had been added during the fourth quarter, bringing the total served to 811,000, compared with 594,000 at the end of 1990.

For the full year, consolidated net income totalled $1.8bn, or $1.98 a share, compared with $1.85 earned on a pro forma basis in 1990, including Contel's results for the full year. The 1991 figures excludes a $204m one-time special charge.

● MCI Communications, the second-largest long distance telephone company in the US, reported fourth-quarter earnings of $137m, or 52 cents, against $120m, or 47 cents.

Revenues rose 7.9 per cent to $2.16bn. Full-year earnings were $522m, or $2.01, compared with $270m, or $1.06 in 1990, when it took $550m of one-time charges.

Laidlaw to raise C$242m with common share issue

By Bernard Simon in Toronto

LAIDLAW, the Canadian waste services and school bus operator, is raising C$242m (US$206m) through a common share issue which it will use to reduce debt and provide for possible acquisitions.

The Ontario-based company has agreed to sell 22.75m non-voting Class B shares to a group of Canadian underwriters at a price of C$11 a share. The shares were trading at C$11.63.

Canadian Pacific, which has a 47 per cent voting interest in Laidlaw, will take up its proportionate share of the issue.

CP earlier this week wrote down its investment in Laidlaw by C$291m. In addition, it took a writedown of C$101m, reflecting its share of Laidlaw's writedown last year of its 28 per cent interest in ADT, the Bermuda-based security services and vehicle auction company.

The C$291m writedown reflects the steep decline in Laidlaw's shares since CP bought its interest at roughly double the present price three years ago. The share price has recently recovered from a low of C$8.25, reached last autumn.

Laidlaw said yesterday that the issue would reduce the debt-equity ratio from 87 per cent to 68 per cent.

Profits fall to $79.9m at Kroger

KROGER, one of the large US supermarket chains, has reported a fall in full-year profits from $82.4m in 1990 to $79.9m last year, writes Nikki Tait.

However, the 1991 figure is scored after a $20.8m extraordinary loss relating to the early retirement of debt, compared with a $910,000 deficit in the previous year.

Sales during the 12 months increased by a modest 5.4 per cent to $21.3bn, with same-store sales rising 1.3 per cent in the fourth quarter and 3 per cent in the year.

The company, like others in its sector, warned that the highly competitive conditions seen last year were spilling into 1992.

Kroger, which operates over 1,250 stores in 25 states and geared itself up in a defensive restructuring in 1988, opened or expanded 42 stores last year.

Apple and Dell slash prices by over 30%

By Louise Kehoe in San Francisco

PERSONAL computer prices continue to tumble in the US as manufacturers compete fiercely for a larger share of the slow-growth market. Two leading manufacturers yesterday announced price cuts of over 30 per cent.

Apple Computer cut US prices for several of its Macintosh models by up to 36 per cent. The company is expected to introduce new models later in the year, and analysts suggested the cuts were designed to clear inventories.

Apple said the price reductions would allow it to continue the momentum of its aggressive strategy to build market share, launched a year ago when it sharply cut its prices.

The company said that last year it had increased Macintosh unit shipments by more than 60 per cent and net sales by 14 per cent.

The current price reductions cover most of Apple's Macintosh product family, with the exception of the highest performance models and the new portable Macintosh PowerBook 140 and 170 models.

Dell Computer also slashed prices by up to 38 per cent across its full line of portable, desktop and floor-standing personal computers.

Dell has brought considerable competitive pressure to bear upon market leaders, including International Business Machines and Compaq Computer, with its direct sales marketing strategy and lower prices.

Recently, however, its prices have been undercut by a myriad of "clone" builders offering similar systems at even lower prices through discount computer "superstores" in the US.

Dell's new price reductions would make it even more difficult for companies such as Compaq to compete in the US personal computer market, analysts said.

Kemper results held back

By Barbara Durr

THE fourth-quarter results of Kemper, the Chicago-based insurance and financial services company, were held back by a deteriorating property portfolio. Net income for the quarter ended December 31 1991 was $43.9m, or 91 cents a share, down from $46.7m, or 98 cents.

For all of 1991, Kemper reported net income of $204.5m, or $4.25, against $11.9m, or 25 cents, in 1990.

Excluding restructuring charges worth $126.7m and an arbitration award of $19.5m last year, net income for 1990 was $158.1m, or $3.26.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Dow and Amoco agree energy swap

By Bernard Simon in Toronto

THE Canadian subsidiaries of Dow Chemical and Amoco have agreed to a vast swap of interests in oil and gas properties, paving the way for the creation of a leading, publicly-traded energy company.

The exchange involves about 5,000 properties in western Canada valued at over C$1bn (US$854.7m), and also includes Encor, an ailing Calgary-based oil and gas producer which had a partial interest in many of the properties.

As a result of the exchange, Amoco will have sole ownership of 2,500 properties, while Encor will own 1,100. The remainder will be owned by Maligne Resources, a subsidiary of Dow Chemical.

Amoco and Maligne plan a further rationalisation in which many of the properties will be placed in Crestar Energy, a new company which is expected to be taken public by 1994.

The formation of Crestar will allow Dow to withdraw from the oil and gas business by spinning off Maligne. Dow became involved in the oil and gas sector in the 1970s. The company hoped to use the business as a lever to expand its interests in petrochemicals, notably ethylene.

The properties that Amoco will contribute to Crestar are mostly those that it bought as part of its C$5.2bn takeover of Dome Petroleum in 1988.

In the process, Amoco will be able to fulfil a promise to the Canadian government at the time of the Dome Petroleum acquisition to spin off part of its business to the Canadian public.

Mr Bill Magee, analyst at Research Capital in Toronto, noted, however, that Amoco would continue to own the jewel in Dome's crown, namely, the Cochin gas liquids pipeline system.

The Cochine pipeline, which stretches from Alberta to Sarnia, Ontario, is a crucial element in the North American liquid petroleum gas distribution network.

NESTE, the Finnish state-owned oil and chemicals conglomerate, suffered a sharp fall in operating profit last year to FM2.7bn ($619.3m) from the FM4.1bn in 1990, writes Robert Taylor in Stockholm.

The company blamed the decline on the performance of its chemicals business, which had been hit by a drop in world prices in the plastics and petrochemical industries.

Net sales, however, rose by 11 per cent to FM51.9bn, with the biggest increase coming in the group's oil trading activities and sales of crude oil produced by the group.

The corporation's investments in capital assets last year was FM5.2bn, compared with FM4.6bn.

Neste also announced a $670m upgrading of the power generation capacity at its main Porvoo refinery.

Woolworths outstrips Australian rival

By Bruce Jacques in Sydney

WOOLWORTHS, Australia's second largest retailer, has announced earnings and sales figures which suggest its performance is continuing to outstrip its larger rival, Coles Myer.

Mr Paul Simons, Woolworths chairman, said yesterday that earnings before interest and tax had risen 9.4 per cent in the 28 weeks to January 5, while sales were up 10.8 per cent to A$4.9bn (A$3.68bn) in the period.

"Both sales and profit are in line with budget at this stage and we expect to achieve year-end target profit before tax of A$240m, assuming economic conditions do not deteriorate further," Mr Simons said.

"In all respects, the company is in good shape to survive the current recession and emerge strongly when the recovery comes, which we expect to be modestly evident by mid-1993."

He added: "Woolworths' future growth will be steadier as we have passed through the rebuilding period of the last four years when significant policy changes yielded quick results on the bottom line."

The Woolworths' figures easily shaded Coles Myer which posted a 2.1 per cent sales rise for the January half.

CMI hit by weak steel market

By Philip Gawith in Johannesburg

A SLOWDOWN in world stainless steel production and weak prices caused Consolidated Metallurgical Industries (CMI), the world's second largest ferrochrome producer, to record a small loss in the six months to the end of December.

CMI, a member of the Johannesburg Consolidated Investment (JCI) group, made an attributable loss of R180,000 ($64,000). This was a considerable improvement over the R14.7m loss the group made in the same period in 1990.

Turnover rose by 41 per cent to R143.7m and operating profit improved to R10.4m from a R5.1m loss previously. Interest payments were down, following a R102m rights issue last year, but payment of a R4.3m preference dividend drove the company into loss.

Mr David Kovarsky, chairman, said the results were worse than expected because volumes had been down and the group had hoped for a higher price. He added, however, that the group was happy to be keeping its head above water, given the difficult state of the ferrochrome market.

Mr Allan Kuhnert, marketing director, said world stainless steel production had dropped 6.6 per cent in the second half of 1991 compared with 1990 levels. For the year as a whole, however, he estimated world production for 1991 as being virtually constant at 10.66m tonnes.

He anticipated continued weakness of demand in all the key markets during the first half of 1992.

With about 80 per cent of ferrochrome consumed in the stainless steel industry, the market was weak.

Mr Kuhnert estimated that world ferrochrome production was currently running at an annual rate of about 2.6m to 2.7m tonnes, compared with capacity of 3.4m tonnes. CMI is producing at 60 per cent of its capacity of 330,000 tonnes a year.

Mr Kovarsky said the reporting period had been "very eventful", notably for the merger between Samancor and Middelburg Steel and Alloys, the world's two largest producers, and because South Africa had increased the price from 49 cents to 52 cents a pound in December.

No interim dividend was declared.

Coca-Cola Amatil advances 8%

By Bruce Jacques

COCA-COLA Amatil, Australia's largest soft drink and snack food group, has lent weight to the recession-proof reputation of its operations with a solid sales and earnings performance for 1991.

The company yesterday announced an 8.2 per cent rise in net profits to A$68.9m (US$51.8m) for the year to December against A$63.7m a year earlier. Sales advanced 16.6 per cent to A$1.79bn from A$1.54bn. The annual dividend is up to 15.5 cents a share from 14.5 cents.

Coca-Cola Amatil, which dominates Coke bottling and distribution in the Pacific Basin, completed a divestment programme during the year to limit its operations to the core businesses of beverages and snack food.

The biggest divestment was the company's packaging division which helped reduce net interest payments from A$92.9m to A$82.3m. Depreciation charges also dropped from A$58.7m to A$54.0 m.

The directors said one of the keys to the company's performance, despite depressed economic conditions, had been the eighth consecutive annual market share gain for the Coke brand. Coke-trademarked brands lifted their market share by 0.5 per cent to a record 48.9 per cent in an industry where 1 percentage point means A$30m in revenue.

"The beverages operation recorded strong growth in sales and significant increases in trading profits, as a result of the combined effects of organic growth and acquisitions," the company said.

Compass liquidator wins extension for rescue talks

THE provisional liquidator of Compass Holdings, the failed Australian airline operator, has been granted an extension to hold talks with three interested investors, AP-DJ reports from Sydney.

The liquidator, Mr Ian Ferrier of chartered accountancy firm Ferrier Hodgson, was due to begin winding-up procedures yesterday if he could not present a rescue plan to the Federal Court. However, the court extended that deadline until March 10.

Compass was placed in provisional liquidation on December 20.

Legal counsel for the liquidator told the court that negotiations were continuing with three unnamed parties interested in investing in the airline. Any proposal emerging from the talks would involve a scheme of arrangement which requires court approval.

Existing members of the Compass board will be excluded in any proposed rescue of the airline.

The Australian Securities Commission previously told the court that it was investigating Compass, and on present information it would have "serious concern" if any of the airline's directors retained a role in the company.

PT Inco Indonesia slides

By Kenneth Gooding, Mining Correspondent

PT INTERNATIONAL Nickel Indonesia (PT Inco), which was floated on the Jakarta stock market in April 1990, has posted net earnings for 1991 down 16.6 per cent at US$57m, or 23 cents a share, compared with $68.4m, or 28 cents, in 1990.

PT Inco, 58 per cent owned by Inco of Canada, said the downturn was mainly caused by lower realised nickel prices – $2.91 a pound compared with $3.12 – and a higher provision for deferred taxes at $16.55m, against $2.36m a year earlier. This was only partly offset by increased nickel deliveries, up to 75.7m lb from 60.2m lb.

The company's production of nickel in matte, an intermediate product, reached a record 75.9m lb, against 59.6m lb in 1990 and 64m lbs in 1989.

PT Inco's stocks of nickel in matte at the end of the year were 1.3m lb, compared with 1.2m at the end of 1990.

Mitsui Shipbuilding plan

MITSUI Engineering and Shipbuilding, the leading Japanese shipbuilder and part of the Mitsui group, plans to double capital spending in its shipbuilding business to Y6bn ($47.5m) in fiscal 1992, Kyodo reports from Tokyo.

It initially planned to invest Y10bn in plant and shipbuilding equipment during a five-year period beginning in fiscal year 1989.

The shipbuilding business has since come out of a slump, and with many new orders on its books, Mitsui Engineering has decided to boost investment in 1992.

The company plans to improve the efficiency of its shipbuilding operations by spending about Y2bn to modernise a painting plant.

The improvements are aimed at expanding the facility's capacity, allowing construction of more double-hull tankers, which are in greater demand due to increasing concerns about marine pollution from oil spills.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

COLLIER STREET CONSTRUCTION LIMITED

Registration number: 1718803.

Trade Classification: 2806.

Names and Addresses of Joint Administrative Receivers:

N. Ruddock, The Galleria, Station Road, Crawley, West Sussex RH10 1HY

N. H. Cooper, 156 City Road, London EC1V 2NU

Date of Appointment: 30th January 1992.

By whom Appointed: National Westminster Bank PLC

Date of Charge: 6th March 1984

Nature of Charge: Mortgage Debenture

N. Ruddock and N. H. Cooper, Joint Administrative Receiver

MEETING OF CREDITORS

Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986

J. H. SANKEY & SON LTD

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 18th February 1992 at 3.00 pm for the purposes provided for in Section 98 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.

Dated this 30th January 1992

Clifford Evans, Director

Nissan profit 'under pressure'

PROFITS for the year to March at Nissan Motor, Japan's second largest car producer, are under pressure from high wages and falling demand, according to Mr Yutaka Kume, president, Reuter reports from Tokyo.

"We had enjoyed robust domestic demand, and along with that, wages increased. We made huge investments that put a depreciation burden on the company, and recently domestic demand has suffered a decline," he said.

"In this environment, our profits have been squeezed a lot," Mr Kume added.

Nissan's net profit in the year ended March 31 1991 was Y164.75bn ($1.31bn).

Hungarian fund permits foreign investors

By Judy Dempsey

A NEW Hungarian, forint-denominated fund will for the first time give foreigners the right to invest in debt instruments issued by the Hungarian government.

The fund, which will be launched later this month by Creditanstalt Securities, Budapest, and which will last five years, offers 100,000 units of 10,000 shares worth Ft1bn ($13.5m).

Mr Csaba von Csiky, a senior member of Creditanstalt Securities in Budapest, yesterday said he expected country funds, high-yield funds and private investors to subscribe.

"I think we can expect a 35 per cent return on this investment. Hungarian government debt instruments yielded between 31 per cent and 37 per cent in 1991," he added.

The launch of the fund follows a change in Hungarian legislation last November, which came into effect on January 1. Although foreign investors will continue to be prevented from buying Hungarian government debt securities directly, they can invest indirectly through an investment fund.

Investors will be allowed to transfer dividends and any proceeds, or dispose of units in the fund in the currency in which they originally invested, Mr von Csiky said. The fund, which will consist of government Treasury bonds, notes or bills, is expected to be listed on the Budapest Stock Exchange and the third tier of the Vienna and Stuggart exchanges.

The launch of the fund coincides with attempts by the Hungarian government to reduce the annual rate of inflation from 35 per cent in 1991 to 20 per cent this year. Mr von Csiky pointed to the government's consistent policy of not seeking rescheduling, or any debt relief on its net hard currency debt of $20bn.

Czechoslovak privatisation attracts nearly 8m

By Ariane Genillard in Prague

NEARLY 8m people have subscribed to participate in Czechoslovakia's massive privatisation of state-owned enterprises, baffling authorities which expected only half the response.

Queues at local registration offices started to grow earlier this year after private investment funds offered would-be customers a 10-fold return in a year's time.

Right-wing parties pushing for the mass privatisation scheme have rejoiced at the rising number of subscribers, which now represent two-thirds of the electorate. The success of the scheme is expected to boost their popularity ahead of next June's elections.

Under Czechoslovakia's large-scale privatisation programme, an estimated Kcs250bn ($8bn) of state-enterprises' equity will be distributed this spring in the form of vouchers. These vouchers will become shares once the privatisation process is completed.

The government hopes to privatise half of the country's state-owned enterprises in this manner, by the summer. A further distribution is planned for the autumn.

More than 450 private investment funds have mushroomed across the country, offering to invest the vouchers of Czechoslovak citizens who are often confused by the privatisation process and lacking basic information on many state-owned enterprises.

If on schedule, the first round of bidding for shares will take place next month.

Moreover, less assets than predicted may be available. Officials at the Czech ministry of privatisation said many state-owned companies were entangled in restitution claims and would not be available for distribution by March.

Waldner to set up Danish unit

WALDNER & Co, the Chicago-based investment company, said yesterday its Waldner & Co Scandinavia unit will set up a new Danish subsidiary, Future Capital Invest, issuing 50,000 shares at DKr105 a share, Reuter reports from Copenhagen.

Waldner said that the new subsidiary would follow a long-term investment policy, and planned to float its shares on the Copenhagen bourse not less than three years after its creation.

Capital gains on share dealings are tax free in Denmark if the shares are held for three years.

Sterling resilience helps gilts advance strongly

By Sara Webb in London and Karen Zagor in New York

UK GOVERNMENT bonds gained up to half a point yesterday, boosted by sterling's resilience and some switching out of the German and French bond markets into gilts.

The market started strongly and rose further on news that the Bank of England will issue £550m in tap stocks for sale today.

The long end of the gilt-edged market appears to have benefited from Monday's wage settlement in Germany: market participants feel the Bundesbank will be forced to keep German interest rates high for some time, following the German steelworkers' 6.4 per cent pay increase, thereby reducing the scope for a cut in the UK base rate.

"The high wage settlement in Germany is good for inflation in the UK, so people are switching out of short-dated gilts into longer-dated issues," said one dealer yesterday.

The long end of the market gained up to half a percentage point, with the benchmark 11¾ per cent gilt due 2003/07 rising from 115⅞ to 116⅛ by late afternoon.

The Liffe gilt futures contract rose from 97.13 to a high of 98.00 before ending at around 97.28.

News of the tap issues was well received in the market. The Bank of England is issuing £150m of the 9½ per cent Treasury loan due 1999, £150m of the 12¼ per cent Exchequer stock due 1999 and £250m of 9½ per cent Conversion stock due 2005.

Traders said that demand for the gilts due 1999 was likely to be good as the market is short of these issues.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.2435	-	10.27	10.12	[illegible]
BELGIUM		9.000	06/01	101.9500	-0.150	8.68	8.62	8.70
CANADA *		8.500	04/02	100.7800	0.000	8.39	8.50	8.03
DENMARK		9.000	11/00	102.6700	-0.100	8.55	8.45	8.68
FRANCE	BTAN	8.500	03/97	99.2466	-0.118	8.67	8.53	8.95
	OAT	8.500	11/02	100.3500	+0.040	8.44	8.33	8.50
GERMANY		8.000	01/02	100.5400	-0.080	7.92	7.84	7.96
ITALY		12.000	02/02	98.4700	-0.010	12.27	12.20	12.47
JAPAN	No 119	4.800	06/99	95.0048	-0.419	5.76	5.57	5.61
	No 129	6.400	03/00	105.3799	-0.299	5.45	5.26	5.34
NETHERLANDS		8.250	02/02	99.2800	-0.010	8.36	8.32	8.40
SPAIN		11.300	01/02	102.4200	-0.150	10.86	10.78	11.30
UK GILTS		10.000	11/96	101-18	+2/32	8.58	9.54	9.83
		9.750	08/02	102-13	+3/32	9.39	9.43	9.56
		9.000	10/08	96-24	+9/32	9.14	9.19	9.36
US TREASURY *		7.500	11/01	101-16	+16/32	7.26	7.24	6.82
		8.000	11/21	102-25	+21/32	7.75	7.72	7.49

London closing, *New York closing. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

■ GERMAN government bond prices picked up yesterday, helped by the US Treasury bond market's lead, but closed only slightly higher, having failed to break through an important resistance level.

The Liffe bund futures contract opened at 87.83 and traded up to 87.95, but was unable to break through the 88.00 resistance level.

■ JAPANESE government bonds closed lower yesterday following an increase in some short-term interest rates and weakness in the US Treasury bond market on Monday.

The yield on the benchmark No 129 moved from its opening level of 5.395 per cent to close at 5.456 in Tokyo, although traders noted that European buying helped to push up prices in London trading with the No 129's yield reaching 5.44 per cent.

Three-month certificate of deposit rates continued to rise, trading up to 5.19 per cent yesterday from Monday's level of 5.15 per cent.

■ US TREASURIES followed overseas markets higher yesterday, but trading was thin ahead of today's refunding announcement.

The Treasury's benchmark 30-year bond regained most of Monday's losses, adding 11/32 to 102 25/32 and yielding 7.76 per cent. Shorter-dated maturities, which fell less dramatically the previous day, posted more modest gains of about ⅛ in late trading.

The Federal Reserve entered the open market to arrange overnight matched sales when Fed funds were trading at 3¾ per cent. There was no policy meaning attached to the move, which drains reserves from the banking system.

The market initially lost ground after Mr Alan Greenspan, chairman of the Federal Reserve, indicated a further easing of monetary policy was unlikely.

However, the market later took some of its strength from comments by Mr Greenspan which left the door open for a further easing if economic conditions warrant.

GOVERNMENT BONDS

European markets out-perform other regions

EUROPEAN government bond markets out-performed the other regions in January, with UK gilt-edged securities showing the strongest gains, according to JP Morgan's Bond Index, writes Sara Webb.

UK gilt prices rose 2.82 per cent in January in local currency terms, which JP Morgan attributed to "the increased likelihood of a Conservative [party] victory in the next general election and the perception that the UK will soon join the ERM (exchange rate mechanism of the European monetary system) narrow band".

The European markets which showed the strongest gains in local currency terms after the UK were Belgium (2.12 per cent), the Netherlands (2.08 per cent) and Germany (2.01 per cent).

All three markets have been boosted by hopes of a cut in German interest rates.

The worst-performing government bond market was Australia, which fell 2.89 per cent in local currency terms on news that the government will increase its borrowing.

For US dollar-based investors, the appreciation in the dollar wiped out gains from the European bond markets.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	107	-⅛	6.46
ALBERTA PROVINCE 9 3/8 95	600	108¾	109		6.67
AUSTRIA 8 1/2 00	400	105¼	105¾		7.58
BANK OF TOKYO 8 3/8 96	100	104	104¼	-⅛	7.22
BELGIUM 9 5/8 98	250	110¼	110¾	-⅛	7.54
BFCE 7 3/4 97	150	102⅞	103⅛	+⅛	7.05
BNP 8 5/8 94	300	106	106¼	-⅛	5.94
BRITISH GAS 8 3/8 99	350	104¼	104¾		7.60
CANADA 9 96	1000	108¼	108¾		6.61
CARCO 9 1/4 96	650	103	104	-⅛	8.40
CCCE 9 1/4 95	300	108¼	108¾	-⅛	6.26
COUNCIL EUROPE 8 96	100	104	104¾	-⅛	6.92
CREDIT FONCIER 9 1/2 99	300	110¼	110¾		7.52
DENMARK 8 1/4 94	150	105¼	105¾		5.99
DENMARK 9 1/4 95	1571	108¼	108¾		6.26
ECSC 8 1/4 96	193	105¼	105¾	-⅛	6.95
EEC 8 1/4 96	100	105	105¾		6.87
EIB 7 3/4 96	250	103¼	103¾	-⅛	6.82
EIB 9 1/4 97	1000	109⅜	109⅞	-⅛	7.20
ELEC DE FRANCE 9 98	200	107½	108	-⅛	7.42
EURO CRED CARD TST 9 94	325	103¾	104¼		7.34
EUROFIMA 9 1/4 96	100	107¾	108¼	-⅛	6.97
EXPORT DEV CORP 9 1/2 98	150	110	110½		7.47
FINLAND 7 7/8 97	200	102½	103½	-⅛	7.26
FINNISH EXPORT 9 3/8 95	200	108¼	108¾		6.78
FORD CAPITAL 9 3/4 97	250	105½	106¼		8.41
GEN ELEC CAPITAL 9 3/8 96	300	107¾	108¼	-⅛	7.21
GMAC 9 1/8 96	200	103⅞	104¼		8.04
GUINNESS FINANCE 8 94	200	103¾	104¼		6.21
IBM INTL FIN 7 3/4 94	200	103¾	104¼		5.81
IND BK JAPAN FIN 7 7/8 97	200	102	102½	-⅛	7.39
INTER AMER DEV 7 5/8 96	200	103	103½		6.83
ITALY 8 1/2 94	1500	106¼	106¾		5.93
JAPAN DEV BK 8 94	150	104½	104¾		5.83
KANSAI ELEC PWR 10 96	350	110¼	110¾	-⅛	7.06
LTCB FIN 8 97	200	101¾	102¼	-⅛	7.56
NEW ZEALAND 9 94	850	106¼	106¾	-⅛	6.21
NIPPON CRED BK 10 3/8 95	150	109½	110¼		7.12
NIPPON TEL & TEL 9 3/8 95	200	108	108½	-⅛	6.42
ONTARIO 8 1/2 01	600	102⅜	102⅞	-⅛	8.12
ONTARIO HYDRO 11 5/8 94	200	110½	111¼	+⅛	5.94
OSTER KONTROLLBANK 8 1/2 01	200	104½	104⅞		7.79
PETRO-CANADA 7 1/4 96	200	101¼	101¾	+⅛	6.89
QUEBEC HYDRO 9 3/4 98	150	109¼	110	-⅛	7.89
QUEBEC PROV 9 98	200	105⅞	106⅜		7.76
SAINSBURY 9 1/8 96	150	106¼	107	-⅛	7.44
SAS 10 99	200	105¼	107	-⅛	8.87
SBAB 9 1/2 95	500	108¼	108¾		6.63
SNCF 9 1/2 98	150	109⅞	110¼		7.50
STATE BK NSW 8 1/2 96	200	104	104½		7.38
SWEDISH EXPORT 8 3/8 96	700	105¼	105¾		9.26
TOKYO ELEC POWER 8 3/4 96	300	106¼	106¾	-⅛	7.11
TOKYO METROPOLIS 8 1/4 96	200	105	105¼		6.97
WORLD BANK 8 3/8 99	1500	105⅞	106¼	-⅛	7.49
WORLD BANK 8 3/4 97	1500	108¼	108¾	-⅛	6.94
XEROX CORPN 8 3/8 96	100	102⅞	103⅜	-⅛	7.73

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AMRO BANK 5 3/4 94	200	93⅞	94⅛	+⅛	8.98
BAPROVEN 11 1/8 95	200	100¼	100¾		10.95
BULGARIAN TRADE BK 8 1/2 96	200	83¼	83¾		13.73
CZECH OBCHODNI BANKA 10 95	350	97¼	97¾	+⅛	10.94
DAI-ICHI KANGYO 5 1/2 94	300	94	94		8.94
DEUTSCHE FINANCE 7 1/2 95	1000	99¼	99¾	-⅛	7.74
EIB 5 3/4 98	400	90¼	90¾		7.69
EIB 6 7/8 95	300	96⅜	96⅞		7.85
EUROFIMA 6 1/4 98	400	91⅜	91⅞		7.89
FIRST INTERSTATE 5 3/4 96	100	86½	86½	-⅛	9.76
IND BK JAPAN FIN 5 5/8 96	200	91¼	91¾	+⅛	8.14
IND DEV BK INDIA 6 3/8 94	200	90¼	90¾		10.34
LUFTHANSA INT FIN 5 7/8 98	500	89⅜	89⅞	+⅛	8.00
NACIONAL FINANCIERA 11 95	150	102¼	102⅝	+⅛	10.18
QUEBEC HYDRO 6 3/4 99	300	92¼	92¾	+⅛	8.12
SWEDEN 6 1/8 98	300	92¼	92¾	-⅛	7.65
WORLD BANK 0 15	2000	20¼	20¾		6.81
WORLD BANK 5 3/4 96	300	92¼	92¾	+⅛	7.87
WORLD BANK 7 1/8 95	500	98½	98½	-⅛	7.71

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	92¼	93½	-⅛	6.69
AUSTRIA 4 5/8 98	100	90¼	91¼		6.53
CHUBU ELEC POWER 6 3/4 01	300	100	100¼		6.74
COUNCIL EUROPE 4 3/4 98	250	90½	90¾	+⅛	6.71
EEC 5 1/2 00	100	91	92		6.89
EIB 6 1/2 98	600	100½	100½		6.39
ELEC DE FRANCE 7 1/4 06	100	104	104½	+⅛	6.80
FINLAND 5 3/8 95	150	95¼	95½	+⅛	6.85
GENERAL MOTORS 7 1/2 95	100	99¼	100¼	-⅛	7.76
JAPAN DEV BK 5 1/2 94	100	98	98¼	+⅛	6.59
KOBE 6 3/8 01	240	97¾	98¼	-⅛	6.70
NEW ZEALAND 4 7/8 99	200	88½		+1½	7.01
QUEBEC HYDRO 5 08	100	78	79		7.37
WORLD BANK 5 03	150	86	86½		6.79
WORLD BANK 7 01	600	103¼	103¾	-⅛	6.53

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98⅞	99⅛	-⅛	5.37
CREDIT FONCIER 5 1/4 94	20000	99⅛	99⅜	-⅛	5.58
DENMARK 7 95	40000	104⅜	104¾	-⅛	5.38
EIB 4 5/8 94	40000	99	99¼	-⅛	5.10
ELEC DE FRANCE 5 5/8 96	20000	100¼	100¾	-⅛	5.56
FINLAND 6 3/4 96	50000	103½	103¾	-⅛	5.77
INTER AMER DEV 7 1/4 00	30000	109¾	110¼	-⅛	5.73
KANSAI ELEC PWR 4 5/8 94	60000	98	98⅜	-⅛	5.59
NIPPON TEL & TEL 5 7/8 96	50000	101⅝	101⅞	-⅛	5.46
NORWAY 5 1/8 95	50000	99¼	99¾	-⅛	5.38
SNCF 6 3/4 00	30000	106⅞	107¼	-½	5.66
SWEDEN 5 5/8 95	20000	100¼	100⅝	-⅛	5.58
WORLD BANK 6 3/4 00	50000	107¼	107¾	-½	5.63

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.82
COPENHAGEN TEL 8 5/8 96 LFr	600	97¾	98¾	-⅛	9.33
WORLD BANK 8 96 LFr	1000	96½	97½		9.02
ALBERTA PROVINCE 10 5/8 96 C$	500	105½	106	-⅛	8.86
BELL CANADA 10 5/8 99 C$	150	106¼	106¾	-⅛	9.40
BRITISH COLUMBIA 10 96 C$	500	103⅜	103⅞	-⅛	8.93
EIB 10 1/8 98 C$	130	105½	106	-⅛	8.96
ELEC DE FRANCE 9 3/4 99 C$	275	103½	104	-⅛	9.07
FORD CREDIT CANADA 10 94 C$	100	101½	102	+⅛	9.26
GEN ELEC CAPITAL 10 96 C$	300	103¼	103¾	-⅛	9.00
KFW INT FIN 10 01 C$	400	104¼	104¾	-⅛	9.28
NIPPON TEL & TEL 10 1/4 94 C$	200	105½	106	-⅛	9.21
ONTARIO HYDRO 10 7/8 99 C$	300	107¼	107¾	-⅛	9.45
OSTER KONTROLLBANK 10 1/4 99 C$	150	105¾	106¼	-⅛	9.13
QUEBEC PROV 10 1/2 98 C$	200	105	105½	-⅛	9.46
BELGIUM 9 1/8 96 Ecu	1250	101¼	101¾	-⅛	8.63
CREDIT LYONNAIS 9 96 Ecu	125	98½	99½	-⅛	9.42
DENMARK 7 5/8 96 Ecu	250	93¼	94½	+⅛	9.59
EEC 7 5/8 94 Ecu	200	97⅝	98⅛		8.93
EIB 10 97 Ecu	1125	106½	106¾		8.36
FERRO DEL STAT 10 1/8 98 Ecu	500	106¼	106¾	-⅛	8.72
ITALY 10 3/4 00 Ecu	1000	112¼	112¾	-⅛	8.62
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅜	104¾	-⅛	8.37
BP AMERICA 12 1/4 96 A$	100	106	106½		10.36
COMM BK AUSTRALIA 13 3/4 99 A$	100	114¼	114¾	-⅛	10.85
EKSPORTFINANS 12 3/8 95 A$	75	109⅝	110⅛	-⅛	8.87
EUROFIMA 14 5/8 94 A$	75	110¼	110¾		9.27
MCDONALDS CANADA 15 95 A$	100	112⅜	112⅞	-⅛	10.43
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109½	110¼	-⅛	9.38
STATE BK NSW 14 1/4 99 A$	100	115½	116	-⅛	11.10
UNILEVER AUSTRALIA 12 98 A$	150	106¾	107¼	-⅛	10.44
VOLKSWAGEN INTL 15 94 A$	100	109⅜	109⅞	-⅛	10.01
ABBEY NATL TREAS 13 3/8 95 £	100	107⅝	108⅛		10.33
ALLIANCE & LEICS 11 3/8 97 £	100	102½	102¾	+⅛	10.70
BRITISH GAS 12 3/4 95 £	300	106¼	106¾		10.14
BRITISH LAND 12 1/2 16 £	150	106¼	106¾	+⅛	12.02
DEUTSCHE BK FIN 11 94 £	225	101¾	102¼		9.89
EIB 10 97 £	536.5	100¾	101¼	+⅛	9.77
FINLAND 10 1/8 97 £	100	100¾	101¼		9.92
ITALY 10 1/2 14 £	400	102⅝	102⅞	+⅛	10.19
LAND SECS 9 1/2 07 £	200	89¼	89¾	+⅛	10.97
NORWAY 10 1/2 94 £	200	101	101½		9.92
ONTARIO 11 1/8 01 £	100	104½	105	+⅛	10.31
SEVERN TRENT 11 1/2 99 £	150	103¾	104¼	+⅛	10.71
SKANDINAVISKA ENSK 13 1/8 95 £	100	106	106½		10.71
TOKYO ELEC POWER 11 01 £	150	105¼	105¾	+⅛	10.09
WORLD BANK 11 1/4 95 £	100	103¼	103¾		10.00
ABBEY NATIONAL 0 96 NZ$	100	65½	66½	+⅛	9.49
BNP 12 96 NZ$	50	109¼	110¼	+⅛	9.26
CEPME 10 95 FFr	2000	102⅞	103¼		8.95
ELF-AQUITAINE 9 99 FFr	600	101½	101⅞		8.73
EURATOM 7 5/8 98 FFr	500	93¼	94½	+⅛	8.93

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.48	99.63	10.7675
BANCO ROMA 0.03 01	200	91.94	92.94	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.5000
BFCE -0.02 96	350	100.21	100.31	4.9175
BNP 05	300	96.63	97.42	5.5625
BRITANNIA 1/10 96 £	150	99.07	99.26	10.7875
CCCE 06 ECU	200	99.92	100.02	10.1563
CITIZENS FED 0.15 96	100	99.33	99.83	5.9625
CREDIT FONCIER -1/16 98	200	100.11	100.21	5.3438
DENMARK -1/8 96	1000	99.73	99.83	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.05	9.5938
ELEC DE FRANCE 1/8 99	400	101.50	102.25	6.0625
FERRO DEL STAT 94	200	100.93	101.22	5.9375
HALIFAX 1/10 94 £	200	99.92	100.02	10.5375
IRELAND 98	300	99.59	99.68	4.4600
ITALY 00	500	100.96	101.19	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.35	99.53	11.0000
LLOYDS BANK 1/10 PERP S 3	600	79.33	81.33	6.0375
MITSUI FIN ASIA 1/8 96	100	99.99	100.09	5.9375
NAT WEST FIN 3/16 05	400	92.58	93.58	5.5000
NEW ZEALAND 1/8 96	250	100.26	100.36	4.8130
RENFE 98	500	100.04	100.18	5.0000
SOCIETE GENERALE 96	300	99.79	99.89	5.6250
STATE BK VICTORIA 0.05 99	125	98.61	98.86	4.3625
UNITED KINGDOM -1/8 96	4000	100.03	100.06	4.2500
YORKSHIRE BS 1/10 94 £	165	99.58	99.68	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	127½	129	
CHUBB CAPITAL 6 98	250	86	104¾	105¾	+30.95
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	83	84	+13.28
EASTMAN KODAK 6 3/8 01	300	50.67	106½	107¼	+8.07
GOLD KALGOORLIE 7 1/2 00	65	1.0554	84	85	+48.15
HANSON 9 1/2 06 £	500	2.5875	99½	99⅞	+25.12
HAWLEY 6 02 PREF	400	19.1	83¼	86½	
HILLSDOWN 4 1/2 02 £	150	3.97	116⅝	117⅝	
LAND SECS 6 3/4 02 £	84	6.72	85	86	+22.58
LASMO 7 3/4 05 £	90	5.64	75¼	76¾	+72.27
MITSUI BANK 2 5/8 03	200	2337½	81¾	83⅝	+13.54
MOUNT ISA FIN 6 1/2 97	100	2.283	94⅛	95⅛	+17.74
OGDEN 6 02	85	39.077	82¾	83¾	+57.74
SMITH & NEPHEW 4 02 £	90	1.775	121¼	122¼	+44.78
SUMITOMO BANK 3 1/8 04	300	3606.9	67¾	68⅝	+27.22
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	90½	91½	
THORN EMI 5 3/4 04 £	103	7.45	120¼	121¾	+8.91

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Denmark set to launch first domestic Ecu paper

By Tracy Corrigan

DENMARK is expected to launch its first domestic offering of Ecu bonds today. The Ecu1bn issue of 10-year bonds is being arranged by two Danish banks, Den Danske Bank and Unibank. A non-Danish European bank is also believed to be involved at a senior level.

The bonds will be listed in Copenhagen in order to encourage some domestic trading and some participation by Danish investors.

However, the bonds will be mainly placed and traded internationally and will be treated like other Eurobond issues.

The deal will be priced to offer a yield pick-up of 7 to 10 basis points above the 10-year Ecu OAT.

Yesterday, new issue activity in the Eurobond market again followed no clear pattern. Despite an overhang of paper, a broad range of new issues emerged in a variety of currencies, including lira, Australian dollars, Swedish kronor and Ecu.

Swiss Bank Corporation identified an unusual business opportunity in the dollar sector, which is still failing to excite any investor interest.

By stripping $500m of a $2bn bond issue for Italy into its component parts, the Swiss bank was able to create a range of zero-coupon bonds. No other banks are involved in the transaction.

The original issue of 9⅝ per cent bonds due 1999, launched in 1989, has recently been underperforming the market.

INTERNATIONAL BONDS

It has been trading at a price of around 110, a substantial premium to its par value, which deters investors from buying paper. (Bonds priced at a premium have a built-in capital loss since they will be redeemed at par). By stripping the issue into its component parts (coupons and principal), the disadvantage of a premium pricing is removed.

Since the transaction, the spread of the remaining $1.5bn of 9⅝ per cent bonds has tightened by about 10 basis points to 48 basis points above the relevant US Treasury, SBC said.

However, the lack of demand for dollar securities led to some scepticism from other traders about the level of demand for such paper.

But SBC said the paper was sold-out, following broad-based sales across the maturity spectrum, as a result of a dearth of zero-coupon paper.

Elsewhere, attractive swap opportunities continue to attract borrowers to the Swedish kronor market.

Yesterday's SKr500m deal for the International Finance Corporation, the arm of the World Bank, met firm demand from German retail investors, who were also the mainstay of last week's three deals in the habitually slow sector.

Eurofima added A$135m to its A$200m global offering of 15-year bonds.

The deal, arranged by Fay Richwhite and Merrill Lynch, was considered attractively priced to yield 10.51 per cent, 25 basis points above the 10-year Commonwealth of Australia bond.

Eurofima is the third borrower to use a global structure in this market, following Swedish Export Credit and the European Investment Bank. Although other borrowers, such as SBAB, the Swedish mortgage agency, and Crédit Local, the French regional financing agency, are said to be considering the market.

However, traders said the market was limited to the very top borrowers.

In the matador bond market, Ireland raised Pta10bn of 10-year bonds, via Banco Bilbao Vizcaya. The deal met mainly retail demand from German and Benelux investors. From an issue price of 101¼, it was bid at 99.90, within fees of 1⅞ points.

In the D-Mark sector, Norway added DM500m to its recent DM1bn issue of five-year bonds via Deutsche Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Petroleos Mexicanos(a)†	150	8¾	100.575	1997	1⅞/1⅛	CSFB
Hosokawa Micron Corp(a)♦	100	3⅛	100	1996	2¼/1½	Nikko Europe
ECUs						
Council of Europe(b)†	100	9⅜	100.49	1994	15/10bp	Lehman Bros.
AUSTRALIAN DOLLARS						
Eurofima(c)†	135	9⅞	95¼	2007	45bp	Fay Richwhite
BMW Australia Finance(a)†	100	10¼	101.95	1997	2/1¼	Dresdner Bank
St.Bk of New South Wales(d)†	150	10¼	99.85	2002	2⅛/1½	Deutsche Bk Cap.Mkts.
SWEDISH KRONOR						
International Finance Corp(a)†	500	10¼	101⅝	1997	1⅝/1¼	Deutsche Bk Cap.Mkts.
PESETAS						
Republic of Ireland(e)†	10bn	10.55	101¼	2002	1⅞/1¼	Bco.Bilbao Vizcaya
FINNISH MARKKA						
Municipality Finance(a)†	100	11.55	100	1999	-	LTCB Int.
SWISS FRANCS						
Aoki Corp(a)★★†	150	7¼	100	1997	-	Swiss Volksbank
Tesac Corp(f)★★♦	60	4	100	1996	-	Credit Suisse
D-MARKS						
Kingdom of Norway(g)†	1.5bn	8¼	102⅛	1997	2/1¼	Deutsche Bank

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing Ecu265m deal. Non-callable. c) Global issue. Fungible with existing A$200m deal. Non-callable. d) Amount increased from A$100m. Non-callable. e) Matador issue. Non-callable. f) Callable 20/2/94 at 101% and 20/2/95 at 100½%. g) Amount increased from DM1bn. Non-callable.

Venezuelan debt slips on secondary market

By Richard Waters

VENEZUELAN debt slid sharply on the secondary market yesterday as news of an attempted coup spread, but recovered some of its lost ground later as the threat to the government of Mr Carlos Andres Perez appeared to have been overcome.

That left Venezuelan debt yielding around 30 basis points more than comparable Mexican instruments by the close of trading in London – a reversal of the position during most of the second half of last year.

Venezuelan par bonds, the most liquid of the bonds issued as part of the country's Brady-style debt reduction plans in 1990, fell from around 66 cents in the dollar to below 62 at one stage.

However, later the price of the bonds, of which $6.7bn have been issued, rose to 64¼.

The country's Debt Conversion Bonds, of which $5.3bn are in issue, fell by a similar amount, from around 71½ to 68.

Reports varied over the volume of trading that took place, although most traders said the bulk of activity was between dealers, rather than involving investors. This left the market unsure about whether prices will weaken further. One trader commented: "Quite a lot of those bonds are held by institutions and funds, who might want to lighten up when they have had a chance to examine the situation."

In the Eurobond market, the price of bonds issued recently by Bariven, a subsidiary of Petroleos de Venezuela, the state-owned oil company, weakened, though they remained above their re-offered price.

But news of the attempted coup helped to undermine hopes that Eurobonds issued by Venezuelan borrowers would return to investment grade this year.

Yesterday evening, Venezuela's debt was yielding around 315 basis points over the benchmark US Treasury bond, compared with a yield spread of 280 basis points for Mexico, which has also completed a Brady-style debt reduction.

Resolving a corporate mystery

Ronald van de Krol examines a law compelling shareholders to reveal any stake of more than 5 per cent in Dutch companies listed on the Amsterdam Stock Exchange

TO THE delight of Dutch daily newspapers, nearly 250 companies listed on the Amsterdam Stock Exchange are virtually guaranteed to order extra advertising space in the next few weeks.

The advertisments will be used to clear up one of the mysteries of the Dutch corporate world – the precise identity of the main shareholders in the country's bourse-quoted companies.

Under a law which came into force this week, domestic and foreign investors have 30 days to register any stake of more than 5 per cent in Dutch companies or investment funds listed on the Amsterdam bourse. From now on, they must also notify the companies and the Securities Board of the Netherlands, the regulatory agency entrusted with supervising compliance, whenever their shareholdings rise above or fall below the trigger thresholds of 10, 25, 50 and 66⅔ per cent.

The legislation, which brings the Netherlands into line with a 1988 EC directive, will, for the first time, produce a relatively reliable overview of who owns what in the Dutch corporate sector. (Foreign companies with Amsterdam listings are excluded from the legislation, as are a handful of Dutch companies such as Hunter Douglas, the window-dressing group, which is incorporated in the Netherlands Antilles.)

In a country where shares generally take the form of bearer securities, the new law may also spark brief bursts of bourse activity as investors react to revelations about company ownership.

Until now, it has been possible for an investor to build up a significant stake in a company before announcing its purchases, as Hong Kong-based First Pacific did in May 1991 when it stunned the Dutch market by revealing it had amassed a 43 per cent stake in Interatio-Mueller, the Rotterdam industrial conglomerate.

Mr Frank Hoogendijk, chief analyst at merchant bank Pierson, Heldring & Pierson, said many of the share disclosures would not come as a surprise. Institutional investors such as Internationale Nederlanden Groep are widely known to have 5 per cent stakes in most leading Dutch companies. At the same time, shares in many listed companies, such as brewers Heineken and Grolsch or publisher De Telegraaf, remain concentrated in the hands of the founding families, though the exact percentages are not always publicised.

However, the mandatory disclosures may well affect trading in individual companies, such as insurer Stad Rotterdam, which are often the subject of takeover speculation.

"In the long term, greater openness will be good for the Amsterdam bourse," added Mr Hoogendijk.

Analysts also expect the new law to play a role in the continuing debate on whether Dutch companies should give up some of their extensive anti-takeover protection. Until now, one argument against proposals for reining in a company's right to ward off predators has been that Dutch companies are vulnerable to takeover because they do not know who is buying their shares in the market.

Mr Bert Canneman, director-secretary of the Securities Board, expects to receive some 1,200 registrations over the next month from investors whose stakes exceed the 5 per cent minimum.

Companies must publish the individual disclosures they receive "forthwith" in a national newspaper. They are barred from saving them up and publishing them in a single advertisement, though an overview of all disclosures is expected to be released, probably next month.

At home seminars for bankers, brokers, accountants and lawyers have been organised to explain the disclosure procedures. Abroad, details have been forwarded to stock exchanges and regulatory authorities, but otherwise no publicity campaign has been mounted. "We're assuming that the big foreign investors have expert contacts in the Netherlands and that Dutch banks or brokers will alert them to the changes," he said.

Belgium, France and the UK are among the EC countries which already operate a system of shareholder disclosure as required by the EC. Germany has yet to turn the EC directive into national law, but will probably do so as part of planned reforms of German capital markets.

In the Netherlands, disclosure procedures are complicated by the fact that some companies restrict the voting rights of their shareholders. In these cases, shareholders must give details not only of their stake in the company's capital but also of their share of the vote. "Potential" shares resulting from options or short positions must also be disclosed.

The law provides for an exemption if disclosure is deemed "contrary to the public interest." However, parliament has made clear this exemption will not apply to the Dutch royal family, often rumoured to hold big equity stakes in companies such as Royal Dutch/Shell and ABN Amro. The popular press has speculated that the law change will force Queen Beatrix to divulge details of her wealth, but few professional brokers believe she holds as much as 5 per cent of Shell, a stake which would be worth more than Fl 6bn ($3.3bn).

CME, CBOT see record rises in trading volume

By Barbara Durr in Chicago

THE WORLD'S two largest futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, saw record increases in trading volume last month.

The CME posted the best single month in its history, with a recorded 12.4m futures and futures-options traded. The CBOT enjoyed its third highest volume month ever, with 15.1m contracts traded.

The CME's January trading volume jump was 45.4 per cent higher than the same month in 1991. The exchange's Eurodollar pit was its busiest, setting its highest ever trading record at 5.4m contracts.

In currencies, the D-Mark also broke the 1m volume mark for a record month.

At the CBOT, overall trading volume for the month rose 51.6 per cent, the highest increase of any exchange.

Treasury bonds, 10-year notes, five-year notes and 30-day interest rates led the volume increases on the financial side, while wheat futures and futures-options led on the agricultural side.

Volume in Treasury bond futures, the most active futures contract in the world, was up 29.6 per cent to 7,523,352 contracts, the exchange said.

Australian corporate bond issues climb to A$7.19bn

TOTAL issuance in the Australian corporate bond market rose 9.5 per cent to A$7.19bn last year, according to investment bank Bain and Co, Reuter reports.

Bain said this pushed total outstanding issues in the market to A$18.8bn at December 31, reflecting an impressive growth rate since the market's inception in 1988.

It said notable features of 1991 included the relaxation of controls on borrowings by foreign governments and international organisations.

"The creation of a new category of supranational foreign borrowers is an exciting development for the domestic market," Bain said in its annual corporate bond market review.

Foreign organisations to tap the Australian markets in 1991 were the European Investment Bank which issued A$400m of bonds and Eurofima which issued A$200m. Corporate bond issuance rose to A$6.5bn in 1990 from A$2.65bn in 1989 and A$3.58bn in 1988.

Bain said AAA-rated issuers accounted for 69.5 per cent of 1991 issues, including 94.1 per cent in the first half of 1991. It said this reflected investors' preoccupation with credit worthiness and the realignment of ratings by S&P-Australian Ratings with those of its parent group Standard and Poor's.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tuesday February 4 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Feb 3: Index No.	Fri Jan 31: Index No.	Thu Jan 30: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (178)	787.82	+0.3	8.62	6.09	14.84	0.52	785.38	788.80	786.71	732.94
2 Building Materials (23)	966.69	+0.3	7.20	6.44	18.81	0.44	963.73	960.28	951.27	1014.86
3 Contracting, Construction (29)	872.77	+1.0	9.11	8.51	15.84	0.00	864.31	861.15	856.37	1119.42
4 Electricals (7)	2470.86	-0.5	10.00	6.07	12.58	0.00	2483.70	2467.98	2463.42	1936.99
5 Electronics (26)	1784.26	+0.3	10.32	4.80	12.28	1.00	1778.52	1800.19	1782.09	1599.42
6 Engineering-Aerospace (8)	331.40	+0.6	16.11	7.84	7.55	0.74	329.29	332.28	331.18	388.92
7 Engineering-General (43)	489.58	+0.1	9.70	5.05	12.71	0.92	488.97	492.65	493.54	354.49
8 Metals and Metal Forming (10)	327.95	+0.5	2.13	10.59	-	0.00	326.29	332.56	333.18	406.96
9 Motors (13)	301.02	-0.4	8.48	7.92	15.67	0.00	302.11	302.13	299.17	281.89
10 Other Industrial Materials (19)	1599.17	+0.4	7.52	5.13	15.81	0.69	1593.47	1600.59	1607.61	1307.72
21 CONSUMER GROUP (184)	1662.99	-0.2	6.98	3.31	17.65	1.80	1666.71	1670.88	1650.27	1255.34
22 Brewers and Distillers (23)	2076.90	-0.7	7.95	3.41	15.28	7.92	2092.14	2099.97	2070.74	1592.21
25 Food Manufacturing (18)	1264.51	+0.4	8.53	4.02	14.49	2.11	1259.65	1262.10	1247.22	1054.69
26 Food Retailing (17)	2550.30	-0.4	8.66	3.25	15.00	0.39	2559.81	2549.60	2533.54	2407.47
27 Health and Household (23)	4542.40	-0.2	5.00	2.15	22.93	0.88	4552.36	4554.36	4498.53	2698.55
29 Hotels and Leisure (24)	1264.30	-0.3	7.51	5.30	16.59	0.07	1267.97	1280.06	1256.10	1162.31
30 Media (24)	1409.23	-0.5	6.58	3.60	19.12	1.22	1416.02	1416.50	1407.07	1258.57
31 Packaging, Paper & Printing (17)	757.74	+0.5	6.98	4.38	17.36	0.22	753.68	755.96	758.14	531.59
34 Stores (32)	1022.39	....	7.23	3.53	18.34	0.23	1022.61	1025.03	1011.96	799.09
35 Textiles (10)	618.08	+0.3	7.43	5.01	17.18	0.00	616.29	614.08	606.62	404.58
40 OTHER GROUPS (116)	1219.34	+0.3	9.91	5.43	12.73	6.09	1216.23	1221.19	1224.14	1047.75
41 Business Services (16)	1362.28	+0.9	7.36	4.82	17.27	0.00	1350.00	1363.82	1365.49	900.75
42 Chemicals (21)	1490.82	+0.1	6.77	4.91	18.25	0.44	1489.22	1486.38	1474.77	1111.48
43 Conglomerates (11)	1279.81	-0.4	11.33	7.92	10.74	3.11	1285.31	1307.84	1290.72	1337.38
44 Transport (14)	2407.40	-0.5	5.32	4.69	24.72	2.46	2419.18	2444.79	2407.38	1854.37
45 Electricity (16)	1222.31	....	14.84	6.08	8.77	15.30	1221.64	1212.68	1210.97	1079.53
46 Telephone Networks(4)	1395.11	+0.7	11.25	4.49	11.61	15.96	1384.88	1392.37	1391.61	1188.73
47 Water(10)	2407.67	+1.5	17.73	6.60	6.22	0.00	2371.30	2391.81	2380.91	2474.59
48 Miscellaneous (24)	1851.81	....	5.53	5.27	24.70	0.95	1852.12	1845.40	1835.21	1654.62
49 INDUSTRIAL GROUP (482)	1301.16	....	8.17	4.45	15.32	2.88	1300.94	1305.24	1293.99	1064.15
51 Oil & Gas (18)	2141.02	-0.7	11.95	6.55	11.07	8.11	2157.01	2163.83	2162.16	2180.09
59 500 SHARE INDEX (500)	1377.76	-0.1	8.58	4.68	14.70	3.28	1378.67	1383.21	1372.47	1157.58
61 FINANCIAL GROUP (87)	728.50	+0.2	-	6.38	-	0.13	727.25	732.16	728.69	737.09
62 Banks (9)	875.43	....	4.38	6.07	46.41	0.00	875.94	882.37	873.12	808.15
65 Insurance (Life) (6)	1417.97	+0.4	-	6.02	-	0.00	1412.21	1419.10	1423.03	1343.28
66 Insurance (Composite) (7)	513.26	+0.1	-	8.49	-	0.00	512.75	517.27	515.30	631.34
67 Insurance (Brokers) (10)	1008.55	+0.8	7.67	6.62	17.16	1.80	1000.67	1010.12	1003.59	1001.63
68 Merchant Banks (7)	476.10	+0.8	-	4.50	-	0.00	472.42	471.00	470.37	349.94
69 Property (33)	788.43	+0.4	7.30	5.75	18.76	0.44	785.64	792.56	794.20	962.08
70 Other Financial (14)	241.37	+0.1	8.25	7.40	16.02	0.00	241.11	240.91	240.18	245.01
71 Investment Trusts (68)	1181.41	....	-	3.68	-	1.66	1183.50	1186.80	1182.59	999.87
99 ALL-SHARE INDEX (654)	1222.88	....	-	4.85	-	2.56	1223.33	1227.84	1218.88	1052.70

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 3	Jan 31	Jan 30	Jan 29	Jan 28	Year ago
FT-SE 100 SHARE INDEX♦	2556.8	-3.4	2562.5	2548.6	2560.2	2571.2	2550.8	2546.5	2552.0	2202.0

FIXED INTEREST

	PRICE INDICES	Tue Feb 4	Day's change %	Mon Feb 3	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	122.17	+0.03	122.12	1.98	1.07
2	5-15 years (26)	136.55	+0.22	136.24	1.79	1.97
3	Over 15 years (8)	148.01	+0.42	147.39	2.40	0.36
4	Irredeemables (6)	163.81	+0.33	163.27	2.64	0.00
5	All stocks (66)	134.58	+0.18	134.33	1.95	1.51
	Index-Linked					
6	Up to 5 years (2)	169.07	+0.04	169.00	1.27	0.00
7	Over 5 years (9)	149.62	+0.11	149.46	0.58	0.63
8	All stocks (11)	151.16	+0.10	151.02	0.67	0.54
9	Debs & Loans (62)	118.33	+0.39	117.87	2.94	0.40

	AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 4	Mon Feb 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.73	8.74	9.74
2	Coupons	15 years	9.15	9.19	9.74
3	(0%-7¾%)	20 years	9.15	9.19	9.74
4	Medium	5 years	9.51	9.53	10.44
5	Coupons	15 years	9.24	9.28	10.03
6	(8%-10¾%)	20 years	9.18	9.23	9.96
7	High	5 years	9.74	9.76	10.58
8	Coupons	15 years	9.32	9.37	10.17
9	(11%-)	20 years	9.25	9.29	10.07
10	Irredeemables†		9.36	9.39	10.00
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.91	3.92	3.94
12	Inflation rate 5%	Over 5 yrs.	4.28	4.29	4.21
13	Inflation rate 10%	Up to 5 yrs.	3.27	3.27	2.59
14	Inflation rate 10%	Over 5 yrs.	4.11	4.11	4.03
15	Debs &	5 years	10.96	10.99	12.44
16	Loans	15 years	10.71	10.75	12.13
17		25 years	10.53	10.58	11.85

♦Opening index 2562.4; 9 am 2556.5; 10 am 2549.4; 11 am 2558.3; Noon 2555.8; 1 pm 2557.5; 2 pm 2557.0; 2.30 pm 2556.3; 3 pm 2556.3; 4.10 pm 2557.0; (a) 8.33 am (b) 9.43 am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	0	23
Other Fixed Interest	14	2	1
Commercial, Industrial	284	268	928
Financial & Property	127	109	557
Oil & Gas	14	19	58
Plantations	0	0	9
Mines	27	43	81
Others	40	57	37
Totals	563	498	1,694

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

● First Dealings Feb. 3
● Last Dealings Feb. 14
● Last Declarations May 7
● For settlement May 18

3-month call rate indications are shown on this page.

Calls in ASDA, Amstrad, Berisford Intl., Brent Walker, British Telecom New (partly-paid), Conroy Petrlm., Dowty, Thames TV and Westland warrants. Puts in TI Group.

LONDON TRADED OPTIONS

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	■ OILS	
Allied-Lyons	9	Comm Union	33	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	33	Lex Service	15	TI	30	BP	16
Asda	5	Eurotunnel	9	Lloyds Bank	31	TSB	11	Burmah Castrol	40
BAT Inds	30	FKI	5	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	5
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	■ MINES	
Bowater	55	Glaxo	70	Racal Elect	4½	■ PROPERTY		RTZ	50
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

UK AND IRISH COMPANY NEWS

European expansion holds back growth at Fyffes

BY Tim Coone in Dublin

FYFFES, the Dublin-based fresh fruit and vegetable wholesaling group, recorded a pre-tax profit of I£27.1m (£25m) for the year to October 31 1991 compared with I£26.3m.

Earnings per share were unchanged at 6.73p and a final dividend of 0.8162p (0.742p) is proposed for a total of 1.1388p (1.0353p).

The results were marginally lower than market expectations of about I£30m, with earnings closer to 7p. The dilution of earnings by last year's I£61m rights issue was offset by the lower tax charge of I£6.03m (I£8.78m).

Tough trading conditions in the UK market, and the ongoing costs of Fyffes' expansion into the European market were blamed for a set of results which one Dublin-based analyst described as "slightly disappointing".

Mr Carl McCann, finance director, said that the main factor affecting profitability in the past year "has been the setting up of our international banana operation, sourcing bananas from Central America for the continental European market".

He said the company had lost volume in the first half of the year, due to a settlement agreement with Chiquita International to end the commercial war that broke out in 1990 when Fyffes began buying bananas in Honduras.

Seasonally weaker prices in the second half of the year, when volumes picked up, then kept margins low for the year as a whole.

"Operationally though we have made huge progress. We have extended our source of supply in Central America, with a major new source in Guatemala and we have opened a new office in Florida to manage the tropical end of the business" said Mr McCann.

"While the timing of the return on our investment in this division is not easy to predict, we are building an important new business which we believe will make a positive contribution in the future", the company said.

Turnover advanced by 9 per cent to I£608m (I£557m).

● COMMENT

Fyffes can reasonably argue that a tough recessionary year in the UK, its main market, and the ongoing costs of its nascent expansion strategy into continental Europe with Central American-sourced bananas, has held back earnings to levels lower than market expectations. To establish itself firmly in the highly-competitive continental market, the group will need to move downstream by acquiring ripening and distribution assets there, which has been the key to its success in the UK and Ireland. However, it does not seem to be much closer to negotiating an acquisition than it was in June last year when the rights issue was made. Its I£100m cash hoard makes the company a financially solid business, but the market may get impatient if the continental expansion does not bring the expected rewards in terms of higher earnings. The company, however, shows no signs of being rushed into a hasty decision.

Heiton declines 36% but curbs losses from UK operations

A REDUCTION of 36 per cent in pre-tax profits was announced by Heiton Holdings, the Dublin-based steel stockholding and builders' merchant group, for the half year to October 31 1991.

The fall to I£820,000 (£762,000) compared with I£1.28m last time and was struck on turnover down 13 per cent, from I£34m to I£29.7m.

Mr Richard Hewat, chairman, said the lower turnover "was largely due to the major rationalisation implemented in our UK operations" where sales dropped to just I£128,000 (I£4.51m).

He added that the second half would be difficult but that losses in the UK had been eliminated.

Last year Mr Leo Martin, the group's financial director, said that the group planned to wind down its UK operations as "we see no upturn in demand in the UK for the next 18 months or two years".

The company's focus was now to concentrate on expanding Atlantic Homecare, its DIY retail division, which had continued to increase turnover in spite of the recession.

Earnings per share worked through at 1.75p (2.54p) and the interim dividend is maintained at 0.65p.

An extraordinary I£200,000 charge represented additional costs for the implementation of the rationalisation plan in the UK.

● Heiton also announced the merger of four companies involved in solid fuel distribution, including its 41.5 per cent owned Consolidated Holdings. Heiton will receive a 22 per cent stake in Jubilata, the new company.

Printech Intl falls 22% to I£2.54m

Printech International, the Dublin computer manual printer, suffered a 22 per cent fall in pre-tax profits for 1991.

On turnover of I£20m (I£19.3m) profits were I£2.54m (£2.4m), compared with I£3.27m. Earnings per share were 7.5p (9.7p) and the proposed final dividend is 1.2p for an unchanged total of 2p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Fleming C'house ......fin	3★	Mar 1	6.5	10.5	10
Fyffes ......fin	0.8162†‡	Apr 7	0.742	1.1388	1.0353
Heiton ......int	0.65‡	Apr 6	0.65	-	2
Printech ......fin	1.2‡	-	1.2	2	2
Updown Invest ......fin	12	Mar 20	11	12	11

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Irish currency. ★Fourth quarter payment.

Ryanair on the upturn as profits emerge

By Paul Betts, Aerospace Correspondent

RYANAIR, the Irish carrier owned by the sons of Mr Tony Ryan, chairman and founder of GPA, the world's leading aircraft leasing group, made a small profit last year – the first since its launch in 1986.

After accumulating losses of nearly I£19m (£17.7m) since 1986, last year's pre-tax surplus of I£300,000 marks a significant turnround for the airline, which has challenged Aer Lingus on the busy London-Dublin route and helped bring down fares between the two countries during the past six years. It lost I£9m in 1990.

The profit reflects substantial restructuring and a clamp-down on costs during the past 18 months. The workforce has been cut by 15 per cent to about 500 and Ryanair has dropped out of some unprofitable routes to concentrate on its Dublin to London Stansted services.

Mr Conor Hayes, Ryanair's new chief executive, said the airline had been boosted by its move last year from Luton to Stansted and it now intended to expand its flights to Stansted this year.

It has also reached an agreement with American Airlines to tie in its services from Stansted to Dublin with the US carrier's new Chicago to Stansted flights this summer.

Mr Hayes said he expected Ryanair to show higher profits this year. "If we managed to make a small profit in a year when the industry lost money because of the Gulf war and the recession, we should do even better this year," he said.

British Airways' decision to withdraw its services to Ireland last year had a relatively modest impact on Ryanair's operations. "Everybody got a piece of the BA cake, but we got the smallest part of it," Mr Hayes said.

Ryanair is to increase its fleet to 11 aircraft this spring by adding two BAC 1-11 jets to its operations. It has also started a review of a fleet renewal and replacement programme, but it only expects to take a decision next year.

The airline, with revenues of I£50m in 1991, carried 700,000 passengers last year, including 50,000 on charters, about the same as in 1990. However, Mr Hayes expected numbers to increase to 850,000 on scheduled routes this year and to 125,000 on charter services.

Pressing ahead with an inherited strategy

Bronwen Maddox considers the future of Wace without John Clegg

THE CRISIS of Mr John Clegg's departure last Friday as managing director has raised questions about Wace Group's underlying commercial health. How secure is the printing company's immediate future, and what kind of long-term business have Mr Clegg's colleagues on the board inherited?

Despite the past week's speculation over the sources of Wace's funding and the consequent fall in its share price from about 260p to 132p last night, it declined to put out a trading statement ahead of its full year figures in April.

Shareholders, understandably, have been pressing for urgent clarification on the reasons for Mr Clegg's departure.

However, the closest City followers of the company have not cited worries about the March figures when searching for explanations. At this stage, at least, they are not expecting his departure to herald a plunge in trading fortunes.

Throughout the past week's swirling rumours, analysts have stuck by their estimates of between £17m and £18m pre-tax profits for the year to December 1991, compared with £26.5m last year.

The expected slump in profits is no worse than that indicated in the half-year figures. Those showed that demand for pre-press services, the preparation and amendment of text and pictures before printing, has slumped sharply with the downturn in the economy and in advertising.

It is the company's longer-term future which attracts more debate and it is these questions the company will need to answer if it is to succeed in its efforts to rehabilitate itself in the City.

It may find it is lecturing to a difficult audience. The company's past dependence on acquisitions for its growth – some 40 in the past five years – and its image as a one-man band, over-reliant on Mr Clegg, had made sceptics of many City investors.

A more difficult issue for the company to address, because answers are not clear cut and views differ widely, is whether a technological revolution will undermine the future of the pre-press business.

Ashley Ashwood

John Clegg: pre-press has a brilliant future

Mr Clegg's unambiguous view, expressed vigorously to City institutions at each of the four rights issues between 1987 and 1990, was that pre-press, formerly a fragmented cottage industry, had a brilliant future.

Advertising agencies and publishers, he argued, would put an increasing amount of their pre-press business out to specialist houses, not wanting to invest in the expensive new capital equipment.

Mr Clegg believed the recession simply strengthened Wace's hand, allowing it to "mop up" its smaller competitors, invest in the expensive state-of-the-art electronics that they could not afford, and take over their clients.

Some in the printing industry disagree vigorously with that view. The core of their argument, which in a simplified version could be christened "the Apple Mac threat", is that the price of some pre-press equipment is plummeting because of technological changes.

Greater microprocessing power makes it possible to run more powerful software on a single machine such as an Apple Macintosh. The result is that some of the main clients, such as advertising agencies and glossy magazine houses, may begin doing more of their own work in-house.

On this view, Wace has expensively positioned itself as the leader of a rapidly-shrinking market and this trend could deprive it of long-term growth even when the advertising recession ends.

One senior executive of a leading advertising agency, which has made some investment in its own in-house pre-press facilities, said: "There has been a real revolution. There used to be only expensive equipment, incompatible with other brand of equipment. But then the smaller manufacturers began to develop open systems that would talk to each other.

"Now you can buy one machine, and load extra software on it – buying extra typesetting fonts for a few thousand pounds each, for example, instead of lots of different machines costing several hundred thousand pounds each."

However, even the most fervent believers in this "revolution" agree it is only partial. Small machines cannot yet properly handle high resolution in digital graphics, and other crucial jobs such as the retouching of transparencies are generally done by specialists.

Unsurprisingly, some manufacturers of pre-press technology believe the capabilities of small machines have been overstated.

Mr Jim Salmon, managing director of Crosfield Electronics, one of the world's leading manufacturers of electronic printing technology, said: "It is true that the world is now an open systems marketplace of compatible machines, and that is a fundamental change. But without dismissing the technological trends, which are real, by far the greatest impact on the business at the moment is the advertising recession."

Wace itself does not dismiss the changes but emphasises that the company has many types of customer.

Mr Brian Dudley, Wace's new managing director, said: "Although the Mac technology, for instance, has advanced enormously, from Wace's perspective that is not a threat."

He gives as an example Wace's magazine design work. A year ago only 5 per cent of the raw designs and text were sent to Wace in digital form. Now it is 50 per cent.

But in Mr Dudley's view "Wace still has the job of putting it into high resolution" and that is enough to protect its hold on its clients.

"Buying the best machines for that highest quality work is still a very significant investment – you need a critical mass of customers", he argues.

The strategy he inherited from Mr Clegg, in particular the company's past heavy investment, relies on those economies of scale being achievable. It is an argument he may have to rehearse many times with City investors if he is to win them back.

Elga to pay £4.94m for furnace maker

By Andrew Jack

Elga, the laboratory equipment and water purification company, is buying Carbolite, a manufacturer of laboratory furnaces, for £4.94m.

The company, which is changing its name to Protean, will issue 6.8m new shares to help fund the acquisition, and has offered shareholders the chance to buy one share for every 2.6 held on January 28 at 95p apiece. The shares closed at 99p yesterday. The placing is fully underwritten.

The purchase will be funded by £683,000 in loan notes and 4.1m shares. The remaining 2.4m shares will be used to redeem loan notes and reduce Carbolite's £1.7m borrowings.

"This is an exciting development of the group," said Mr Alasdair Culshaw, finance director. "We are very pleased about the acquisition."

Carbolite employs 141 people in Bamford, Thetford and Market Harborough. Its managing director will join the Elga board.

The acquisition and change of name must both receive the approval of shareholders at an extraordinary general meeting at the end of this month.

Activities that distort earnings

By Andrew Jack

SOME engineering companies are using Britain's ambiguous accounting standards to boost their earnings per share figures, a research report from Williams de Broë, the brokers, suggests.

It concludes that some UK engineering groups are "smoothing" their earnings in a way that does not fairly reflect trading performance, although it stresses that none is contravening accounting standards.

Mr Mustapha Omar, an engineering analyst, highlights a series of activities which distort earnings in the companies.

● TI Group had made sizeable provisions over the last few years to allow it to restructure companies that it has acquired. It writes off these costs against the balance sheet and feeds them back over a period of up to four years. It is unclear how these sums allocated for restructuring are spent.

De Broë estimates that TI will have £25m to spend in 1992 and beyond which will make it difficult to determine the company's underlying profitability.

TI's depreciation rates on plant, machinery and equipment – at 7.5 per cent to 10 per cent – are about half the sector average of 16 per cent.

Even when weighted to reflect the type of assets held within this range, de Broë estimates that TI's depreciation is still 12.5 per cent. This has the effect of increasing pre-tax profits for 1990 by £8.3m above the level that would be generated if the sector average was used.

● Siebe has gradually been capitalising more of its research and development costs, including prototype costs and computer software, and extending the period over which they are written off.

Prototype costs have risen as a result from nil in 1988 to £33.3m in 1991.

● British Aerospace makes substantial provisions in the balance sheet on acquisitions which can later release to the profit and loss account to help boost earnings. For example, in 1990 it released £130m in provisions, which converted operating losses of £44m against Rover into profits of £55m.

However, Mr Michael Garner, finance director at TI, said the analysis was "pretty extreme". He stressed that comparisons between the different companies were difficult because of the nature of their business.

TI, he said, had slower depreciation rates because it was less capital-intensive than many of its counterparts.

He added that the group would be disclosing its provisions on pensions from next year, which would make the accounts clearer.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- British Thornton, Hambro Currency Fund.

FUTURE DATES

Interims-

Anglo & Overseas Trust	Feb. 14
FR	Feb. 17
SelecTV	Feb. 6

Finals-

Bunzl	Mar. 25
Coats Viyella	Mar. 25
Courtaulds Textiles	Feb. 27

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.13	17.31	17.31
0100	[illegible]	19.08	21.10
0130	17.17	19.08	21.10
0200	17.17	19.08	21.09
0230	[illegible]	17.31	17.31
0300	17.13	17.28	17.28
0330	17.12	[illegible]	17.18
0400	17.30	17.16	[illegible]
0430	17.06	[illegible]	[illegible]
0500	17.06	[illegible]	[illegible]
0530	[illegible]	17.12	17.12
0600	17.11	17.12	17.12
0630	[illegible]	17.12	17.12
0700	17.40	17.31	[illegible]
0730	18.02	19.29	21.32
0800	18.08	19.30	[illegible]
0830	18.90	28.25	38.80
0900	19.07	25.28	28.58
0930	19.27	19.89	21.74
1000	19.28	26.35	28.80
1030	19.34	28.35	38.60
1100	21.32	20.04	22.09
1130	21.32	23.58	25.84
1200	19.43	29.42	31.78
1230	21.32	29.42	31.77
1300	21.32	17.65	[illegible]
1330	19.07	17.56	17.56
1400	18.02	17.50	17.50
1430	17.49	17.45	17.45
1500	18.02	17.47	17.47
1530	19.07	17.55	[illegible]
1600	19.28	20.26	22.48
1630	19.50	32.42	37.18
1700	22.04	54.35	62.47
1730	28.51	58.82	64.75
1800	28.84	46.99	55.62
1830	27.48	[illegible]	31.98
1900	[illegible]	21.78	23.94
1930	21.29	21.46	23.52
2000	21.25	21.39	23.44
2030	19.79	20.36	22.38
2100	18.08	20.16	22.19
2130	17.66	19.45	21.47
2200	17.17	19.45	21.47
2230	17.13	17.38	17.38
2300	17.11	17.16	17.16
2330	17.08	17.12	17.12
2400	17.08	17.11	17.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to [illegible] decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional [illegible] Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent [illegible] Pool Purchase Price. Final pool prices are [illegible] capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

Attempt to end delay on sale of Israeli interests

By Hugh Carnegy in Jerusalem

ARTHUR ANDERSEN, administrator of Mr Robert Maxwell's private companies, has arranged a bid of $18m (£10m) for the late publisher's majority stake in Ma'ariv Modi'in by another Maxwell Media Trust company in an unorthodox attempt to end the delay of the sale of the Israeli media group.

The move appeared chiefly designed to draw out the holders of the remaining 15 per cent of Ma'ariv Modi'in, which publishes Ma'ariv, the country's second biggest daily newspaper, whose right to first refusal on the sale of the Maxwell holdings has been largely responsible for a delay in the bidding process.

The three main potential bidders, including Hollinger, the Canadian media group, have been reluctant to reveal their plans while the intentions of Mr Shimon Cheifetz, the Ma'ariv managing director, who holds a 10 per cent stake and first refusal rights, were unclear.

The potential buyers have also set a value on the Maxwell stake which is well below the $18m being offered yesterday by the administrators. Ma'ariv Modi'in is understood to carry debt of about $30m and is said to require a capital injection in addition to the buying price.

The main potential Israeli buyers are a group led by Mr Dov Judkovsky, Ma'ariv editor, and Mr Aharon Dovrat, a director, both of whom were close associates of Mr Maxwell, and Mr Ya'acov Nimrodi, a businessman.

The administrators said the offer for the Maxwell stake was being made by Marnline, a wholly-owned Maxwell Media subsidiary to enable the sale process to proceed. It gave the shareholders who have rights of first refusal 15 days to offer at least the same price, or the stake would go to Marnline.

"Thereafter, the administrators will be in a position to sell the shares in Marnline Limited free of pre-emption rights for either $18m or any higher figure that they agree," a statement said.

Israeli sources associated with the rival bidders, who are competing with each other to do a deal with Mr Cheifetz, attacked the move by the administrators.

"It is not a genuine bid. Their problem is that no-one is bidding. The sole purpose of this is to get Cheifetz out of the way. It is a sign of desperation," said one.

List of buyers grows for Macdonald Publishing

By Raymond Snoddy

A NUMBER of US and UK publishers have bid for Macdonald Publishing, Maxwell Communication Corporation's loss-making UK publishing company.

The list is believed to include Little Brown, the Boston publishing group, Simon & Shuster, Random Century, and Headline and Orion, the company recently set up by Mr Anthony Cheetham, who was forced out of Random last November.

Mr Anthony Lomas of Price Waterhouse, the MCC administrator, is hoping to complete a sale within the next two weeks.

Macdonald, whose list includes literary biographies, Catherine Cookson novels and Enid Blyton's Noddy books, was in a particularly vulnerable position because it owed its parent £23m and had been incurring losses of more than £1m a year.

The company said it was trading normally and was virtually up to date with its February printing schedule in spite of the disruption caused by the collapse of the Maxwell empire.

Unauthorised decisions on pensions by Maxwell

By Norma Cohen

MR ROBERT MAXWELL made the investment decisions for the Mirror Group Newspaper Pension Fund, even though he was not authorised to conduct investment business, a former trustee told the House of Commons yesterday.

Capt Peter Jackson, who became a Mirror Group pension fund trustee early in 1987 after the Maxwell Group acquired British Airways' helicopter division, told the Parliamentary Select Committee on Social Security that Mr Maxwell controlled the other trustees. Among other things, trustee votes and discussions counter to Mr Maxwell's interests were omitted from minutes of meetings.

Capt Jackson added that pension funds' cash was held in a Maxwell bank account at Coutts & Company. If trustees questioned the custody they were reassured that the interest rate paid to the pension fund was higher than that which would have been available anywhere else, he said.

Capt Jackson produced a letter from the MGN pension fund solicitors, dated August 5 1987, telling the trustees that the requirements of the new Financial Services Act, under which Mr Maxwell would have had to obtain authorisation to conduct investment business from a self-regulatory organisation, were expensive and time consuming.

Thus, the letter said, it was advisable that Bishopsgate Investment Management, which was already authorised by the Investment Management Regulatory Organisation should take on managing the MGN pension funds.

However, Capt Jackson said that up until he left the fund in April 1989, he believed that Mr Maxwell was making the investment decisions.

He said that trustees did question some investments obviously related to Mr Maxwell. However, trustees were never told that Mr Maxwell had connections to many of the fund's largest investments.

Sir Jeremy Rowe, chairman of the Occupational Pensions Board, defended his organisation's role in safeguarding Maxwell company pensions.

Tougher times for composites

Richard Lapper on rising reinsurance rates

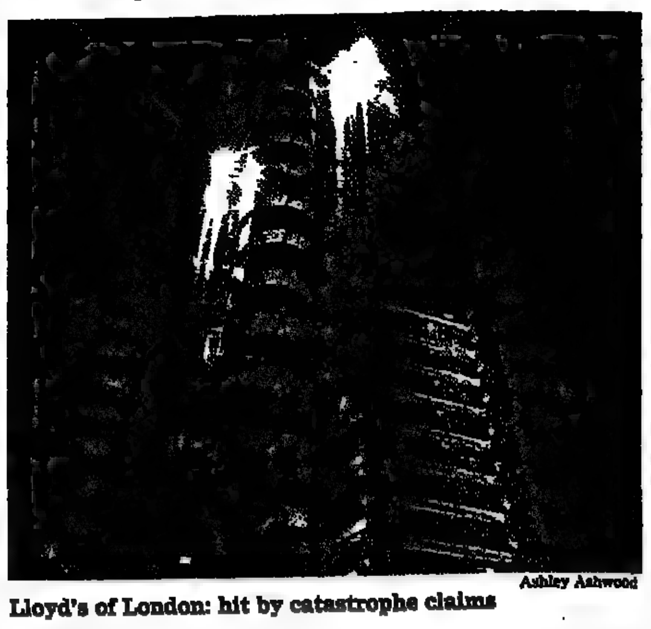
ALREADY enfeebled by their losses from recession and weather-related claims over the past two years, UK composite insurers are facing tough increases in their reinsurance costs and a reduction in cover in some cases.

With negotiations still proceeding in some cases, insurers are reluctant to give details but the country's leading five insurers – General Accident, Sun Alliance, Commercial Union, Guardian Royal Exchange and Royal Insurance – face increases of at least 25 per cent. Underpinning these developments are two related trends.

- UK insurers are presenting their reinsurers with serious losses. In 1990 four of the five recorded pre-tax losses for the first time for at least a generation. That result was heavily influenced by the £4bn cost of the storm losses of January and February 1990 and reinsurers responded by pushing up rates by multiples of three and four times.
- Reinsurers, such as Germany's Munich Re and Switzerland's Swiss Re, are themselves facing much tighter conditions in the retrocession market, where they buy their own reinsurance protections. Between 1987 and 1990 reinsurers in the retrocession market, much of which is concentrated at Lloyd's of London, were hit by a string of catastrophe losses – ranging from the Piper Alpha oil rig explosion in the North Sea in 1988, to hurricane Hugo in 1989 and the January storms in 1990.

Total losses amounted to over £18bn and the impact has forced many players out of business with those remaining pushing through significant increases in rates. And although 1991 was relatively free of major catastrophe losses, reinsurers were hit by a number of medium-sized losses in the last three months of the year. Together losses from Typhoon 19 in Japan, a forest fire in Oakland, California, a hailstorm in Calgary and hurricane Bob in North America led to claims in excess of $3bn (£1.6bn).

Reinsurers have, therefore, been squeezed and although UK insurers had hoped to escape further increases this year they have found their reinsurers in a surprisingly tough mood over the past three months.



Ashley Ashwood

Lloyd's of London: hit by catastrophe claims

As a result negotiations have been long drawn out. Many contracts which are normally completed a number of weeks before Christmas have only been completed in the last few days. One large mutual office is understood to have completed its programme last week.

"This has been the most horrendous renewal season that most individuals on the market can remember," comments one London broker. "European reinsurers were unhappy with the extent of increases they were able to obtain last year and since the summer of last year have been co-ordinating efforts to obtain much higher rates", says another broker.

Reinsurers have been forcing through tough new terms for the proportional treaties – in which they assume a fixed percentage of an insurer's liabilities for a fixed percentage of the original premium.

The rate of commission which reinsurers pay for this business has been cut drastically. Reinsurers who paid between 25 per cent and 27 per cent at the beginning of 1991 have paid as little as 7.5 per cent this year.

In one case reinsurers have insisted on the introduction of "loss participation clauses," arrangements whereby insurers refund the original reinsurance commission if the business they cede eventually generates losses.

Not surprisingly, many insurers have refused to buy proportional covers on these terms and have been forced to rely exclusively on non-proportional covers, in which the reinsurer agrees to pay all losses above an annual aggregate level.

Here, too, though prices have been increased and terms have been tightened. Last year four of the UK's five composite insurers paid between £25m and £30m for policies covering them from aggregate losses of up about £250m.

Reinsurers are known to have successfully achieved rate increases of at least 25 per cent – following rises of up to 400 per cent last year.

Last year the UK's leading five insurers paid over £125m for their non-proportional reinsurance.

And in at least one case a trigger point of about £50m has been set, with the implication that insurers carry a much higher proportion of their losses on their own books.

This shift has also had implications for the cash flow of insurers.

While payments for proportional reinsurance are made on a quarterly basis, insurers pay up front for their non-proportional protections.

NEWS DIGEST

Expansion for Lloyds Chemists

LLOYDS CHEMISTS yesterday announced further expansion through the acquisition of a further 11 stores, financed via a share placing to raise £3.43m.

Nine of the stores are being bought for £2.93m from Lidstore, which operates in and around London. The stores achieved turnover of £3.91m over the year to September 1991.

The other two stores are being acquired for £500,000 from AG Shepherd, which operates in Gloucestershire and had turnover of £895,000 for 1990.

The share placing, by Panmure Gordon, is of 1.09m new ordinary shares at 314p each. Lloyds Chemists' shares closed 3p higher yesterday at 326p.

PPI Del Monte flotation plans

Details of the timing of a possible flotation of PPI Del Monte, the US fresh fruit operation of Polly Peck International, the collapsed fruit and electronics conglomerate, were put to the group's creditors yesterday by Mr Michael Jordan of Cork Gulley, the senior Polly Peck administrator.

Hill Samuel to sell Australian stake

Hill Samuel, the merchant banking and investment arm of the TSB, is to sell a 15 per cent stake of non-voting shares in McQuarrie Bank, a leading Australian merchant bank.

No purchaser has yet been identified but Hill Samuel, which had full control of McQuarrie until 1985, expects to complete the deal by the year end.

The sale will leave Hill Samuel with a 15 per cent stake of voting shares in McQuarrie.

Hill Samuel is shedding the non-voting shares to comply with a pledge it made in 1985 to the Australian banking authorities to reduce its stake in McQuarrie by the end of 1992.

Fleming Claverhouse net assets up 15%

The net asset value per share of the Fleming Claverhouse Investment Trust stood at 339.3p at the December 31 year end, a 15 per cent improvement from 294.1p at the same time last year.

Net revenue declined by some £139,000 to £2.03m leaving earnings per share down to 10.14p (10.84p). A fourth quarter dividend of 3p is recommended making a total for the year of 10.5p (10p).

WH Smith games venture with Virgin

Following approval by the Office of Fair Trading, WH Smith and Virgin Retail have launched a joint venture to develop the Virgin Megastore and games chains in the UK and the Irish Republic.

WH Smith has acquired a 50 per cent interest in Virgin Retail, and the joint venture company will operate Virgin's existing 14 megastores and 12 games centres in the UK and Ireland.

Updown net asset value at 477.25p

Updown Investment Company had a net asset value of 477.25p per share at February 3 compared with 442.5p a year earlier and 493.57p per share at the interim stage on June 30 1991.

Net revenue advanced from a restated £531,000 to £518,000 after aggregate tax of £214,000 (£204,000).

Earnings per share rose from 13.27p to 15.45p.

The directors are proposing to pay an increased dividend of 12p (11p) for the year.

Hillsdown in £3.17m disposal

Hillsdown Holdings, the international food group, has sold its 75 per cent interest in IEL Travel, the business travel agency, for £3.17m.

The purchaser was TMG, the Swedish travel management concern.

Sir Harry Solomon, Hillsdown chairman, said the disposal was a "further step that increases our focus on our international food businesses".

Reduced deficit at Heritage

Reduced costs of sales, distribution and administration, together with lower interest charges, helped Heritage, the USM-quoted housewares importer and distributor, to report reduced interim losses.

The deficit of £96,000 pre-tax for the six months to October 31 compared with a loss of £198,000 last time, a figure struck after exceptional costs of £205,000.

Interest charges amounted to £246,000, down from £326,000.

Turnover dipped from £5.82m to £5.36m, but Mr Jeffrey Lampert, chairman and chief executive, said the shortfall would be made up in the second half. Turnover in the last full year totalled £10.5m.

Losses per share were cut from 3.7p to 1.78p, but directors considered it "inappropriate" to declare an interim distribution.

Whitecroft sells housebuilder for £7m

Whitecroft, the building products, lighting and textiles group, has sold the housebuilding division of its George Longden Estates subsidiary to a management buy-out as part of its plan to withdraw from property development.

The sale, for a total £6.95m, includes the repayment of borrowings of £5.07m and an initial cash payment of £1.06m which will reduce Whitecroft's borrowings by £6.13m.

A further £820,000 in cash will be paid one year from completion.

Whitecroft has retained some part-exchange houses and an almost completed development in Cheshire which is expected to realise a total of £4m.

In the year to March 31 1991 the division achieved profits of £697,000 and net assets at that date were £3.27m.

The managers are supported by 3i, Murray Ventures and Ventures North West.

Losses mount at Albrighton

The recession in the UK construction industry pushed Albrighton, a building products manufacturer, deeper into loss in the half year ended September 30, with its problems compounded by falling order books, squeezed margins and mounting interest charges.

Operating profit fell from £1.08m to £430,000 on turnover down from £12.7m to £6.85m; after interest charges of £426,000 (£355,000) the company turned in a loss of £347,000 (£257,000) before tax.

Losses per share came out at 5.5p (2.9p).

Yearling bonds interest rate 10⅜%

The interest rate for this week's issue of local authority bonds is 10⅜ per cent.

It is the first issue of the year and there is no comparative figure from 12 months ago. The bonds are issued at par and are redeemable on February 10 1993.

COMPANY NEWS IN BRIEF

BLACK ARROW has sold its freehold building in Clydebank, Glasgow, for £1.15m cash, which will be used to reduce borrowings.

BROMSGROVE INDUSTRIES has exchanged contracts for the sale and leaseback of five freehold properties. Total consideration amounted to £4.03m and the purchaser, Yaslou Properties, a private company, has granted leases to Bromsgrove for a term of 25 years.

COOK (DC), through its Spanish offshoot Norfolk Espana, has sold a petrol filling station in northern Spain to a multinational oil company, for over £600,000.

DAKS SIMPSON, a subsidiary of Sankyo Seiko, produced turnover of £73.4m (£69.6m) and pre-tax profit of £2.1m (£4.6m) in year to July 31 1991.

HH ANGUS (UK): Mr Ray Parker, formerly a director of Crown House Engineering, has been appointed chairman. He will be responsible for UK and European operations.

HARTSTONE GROUP: acceptances to the recent rights issue totalled 96.1 per cent.

KLEINWORT HIGH Income Trust: Net asset value 72.8p per share at December 31 1991 (96p at August 1). Dividend for the second quarter 1.875p, making 3.75p for the half year. Earnings per share 4.19p.

SCOTTISH CITIES Investment Trust has passed the 90 per cent mark in its bid for Anglo Scandinavian Investment Trust and will accordingly exercise its right to acquire compulsorily the remaining shares.

SWANYARD is confident that the audited accounts for 1990 and the interim figures for the half year to June 30 1991 will be sent out by the beginning of March. That follows agreement with the auditors over outstanding issues.

TILLEY International: pre-tax profit £9,498 for the year to September 30 (£822 after exceptional income of £21,220). Turnover £851,000 (£814,000). Earnings per share 0.2p (losses 1.6p).

VOICECOM SYSTEMS, BT's US-based voice messaging service, has acquired the Voice Services Division of Wang Information Services Corp, making it the largest supplier of voice processing services in the US.

REDWOOD International, the office automation subsidiary of IMI has won a $10m contract with Boeing Computer Services for the supply of its Uniplex computer software products. IMO acquired Redwood in December 1991.

BUSINESS AND THE ENVIRONMENT

A new breed of consumer is forcing retailers to produce less packaging, writes **John Thornhill**

The hiccs come out of the sticks

Retailers can play a decisive role in the environmental debate, standing as they do between the consumer and the supplier. Shops are often the first port of call for enraged environmentalists wishing to challenge industrial practices such as unsound tuna fishing, pulp bleaching or excess packaging. And retailers in turn exercise enormous influence over their suppliers by translating these consumer pressures into buying orders.

Last week, several hundred food retailers and their suppliers gathered in Düsseldorf at a conference organised by CIES, an international trade association for the food industry, to discuss such concerns and to fathom the impulses of the green consumer.

The choice of Germany for the venue was significant since the country's stringent packaging regulations and strident environmental groups have given the green debate impetus. What concerns Germany today will doubtless affect other countries tomorrow.

The most pressing concern for many retailers was the introduction last June of Germany's contentious ordinance on the avoidance of packaging waste, the Verpackungsverordnung or VerpackVo, which some have suggested could become the blueprint for the European Commission packaging directive due to be published this year.

The VerpackVo's architect, Klaus Töpfer, the German environment minister, attended the conference and artfully defended the thrust of his legislation which was based on the premise: "Do not let packaging go to waste".

German industry has, however, largely forestalled the threat of a "take-back" provision for packaging – outlined in the VerpackVo – by promising to assume responsibility for the management of packaging waste. More than 400 companies are creating a mechanism, known as the Duales System Deutschland, to recover waste from households and reuse the raw materials.

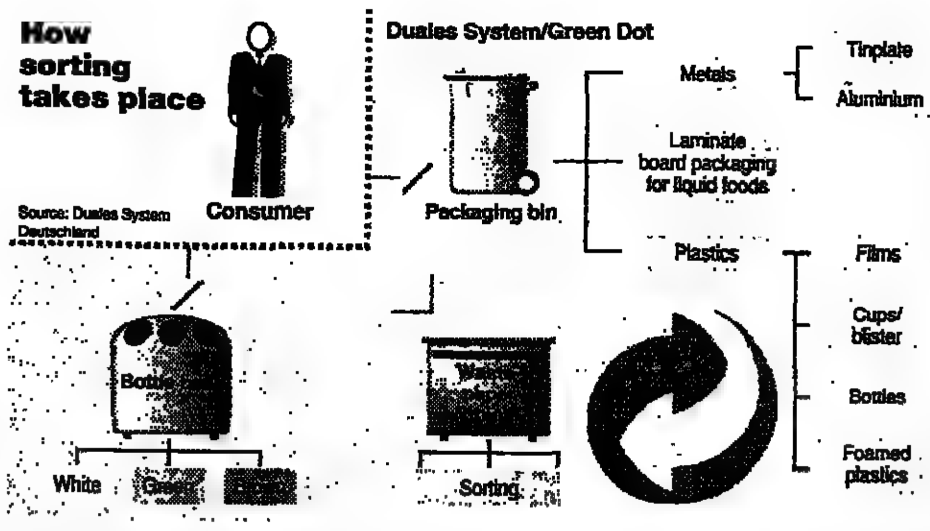
Consumers are encouraged to return glass bottles and waste paper to recycling bins but are also asked to separate other recyclable materials, such as plastics, composite packaging and metals, and place them outside their houses in yellow bins and bags provided by the DSD. These are collected every month.

The DSD aims to find markets for these materials and recycle increasing proportions of packaging waste. It finances the scheme by licensing a green dot which manufacturers can attach to their goods.

The scheme attracted criticism at the conference from European companies which feared the DSD could act as a form of protectionism by excluding foreign products which did not carry the green dot.

Although Töpfer distanced himself from responsibility for the DSD, he did accept that it had thrown up problems. "We have 600,000 tonnes of plastic packaging in Germany with the recycling quota at about 50,000 tonnes. The remainder is going into dumps or going to incineration plants," he said.

But Töpfer stressed that the DSD was an experimental system that would encourage further innovations and improvements. "It is a system that is less *dirigiste* than others and leaves the rules of a free market economy in place," he said.



Source: Duales System Deutschland

Many retailers remained less than convinced by his arguments but the message was nevertheless driven home that unless industry acted to reduce, recover and re-use packaging governments would move to do so for them.

"We must prevent politicians coming up with solutions faster than we do because they will always be worse than market solutions," said Hans Christian Bremme, managing director of Tengelmann, the giant German retailing group.

The DSD will perhaps ultimately succeed or fail on the commitment of consumers and it was the mysterious workings of the shopper's mind that preoccupied many retailers for much of the conference.

Patrick Carson, vice president of Loblaws supermarkets in Canada, argued that after the hippies and yuppies, retailers now had to deal with a new social phenomenon: the hiccs, or higher inner-conscience consumers. Such consumers have different priorities from previous generations of shoppers and are concerned about the consequences of their consumption. "They will leave the tin of tuna – that has been caught by means of a drift net which kills dolphins – on the shelves and they will not come back to your store," he said.

The hicc appears to be a global phenomenon, especially among the younger generations. According to Toshifumi Yamashita, assistant chief executive of the Tokyo Consumers Co-operative, 75 per cent of Japanese consumers said they were interested in environmental activities and an astonishing 27 per cent claimed to be involved in some form of voluntary activity to protect the environment.

Although this new breed of consumer poses a challenge to retailers' practices, it also represents a great business opportunity for those who can tap the groundswell. One constant theme reiterated throughout the conference was that good environmental practice was invariably synonymous with good business practice.

J. Sainsbury, the UK grocery chain, for example, claimed to save 100 tonnes of plastic and £150,000 a year simply by removing the polystyrene base from its pizza boxes. While CMB Packaging, the Anglo-French group, said that lighter packaging now meant that 30,000 cans could be produced from one tonne of tinplate compared with 24,000 in 1985. "You can do the right thing for the right reason and still make money," said Carson.

Swedish industry says enough is enough

Robert Taylor explains how proposals to reduce energy taxes threaten to break up the government

The future level of Sweden's energy taxes on industry, currently the highest in the world, is threatening to provoke a political crisis this spring and the possible break-up of the country's non-Socialist coalition government elected last October.

Olof Johansson, the environment minister and Centre party leader, is threatening to resign from the cabinet if his colleagues decide to push ahead with proposals to make drastic cuts of up to SKr4bn (£385m) in Sweden's energy taxes on industry.

The sudden outburst from Johansson has focused national attention on Sweden's use of energy taxes both as an instrument of economic policy to raise revenue and an incentive for manufacturers to reduce the pollution they cause.

The non-Socialist coalition is coming under enormous pressure from industrialists who argue the current level of energy taxes is pushing up their costs at a time when they are in deep recession.

A government-commissioned inquiry into the taxation of energy use in industry published two months ago has added weight to industry's argument.

Under the chairmanship of Professor Lennart Hjalmarsson from Gothenburg's national economy institute, the inquiry's conclusions make unpalatable reading for those who believe high taxes are a powerful weapon to encourage industry to deal more rigorously with pollution.

"Energy taxation policy must be seen as part of a long-run growth policy and should not contribute to a further worsening of Sweden's long-run productivity problems," the report argues.

It suggested that the total abolition of energy taxes on Swedish industry would increase industrial production especially in the basic industries to the tune of SKr20bn and create 10,000 more jobs.

The study drew particular attention to the harmful impact of energy taxes on the country's cost-sensitive export industries. It estimated energy costs account for 8 per cent of the value-added sales in pulp and paper and 9 per cent in mines and quarries. The total energy tax bill for Swedish industry totalled Skr6bn in 1990.

The Swedish government is sympathetic to the proposals despite the attitude of its environment minister. Those who oppose such a sweeping change, however, are unlikely to give up their cause without a struggle. The country's powerful environmental lobby is determined to uphold the current energy tax levels on industry.

"Any step to cut the government's energy taxes would be interpreted in no other way than to suggest we don't care about environmental problems," argues Stefan Edman, vice president of Naturskyddsforeningen, Sweden's society for nature conservation.

The inquiry recommended an 80 per cent cut in energy taxes on industry with a uniform increase in general taxes on electrical energy and heating oil to meet the annual SKr4bn gross tax revenue loss that would be incurred.

It also calculated that the energy tax per tonne of steel manufactured in Sweden adds SKr140 to its cost and SKr360 for special steel compared with a mere SKr4 in Germany, SKr9 in Britain and no charge at all in France.

The Swedish forestry industry estimated earlier this week that it is paying as much as SKr1.2bn a year in energy taxes, which accounts for half of its current profits.

The Swedish farmers organisation LRF is also critical of any move to implement Hjalmarsson's recommendations. "Sweden's role as a trendsetter on environmental issues would be weakened and the risk is that on-going work to reduce carbon dioxide emissions would lose momentum with Sweden setting a bad example," it argues.

The environmentalists are worried that many companies might abandon any attempt to introduce anti-pollution measures if their energy costs fell. "It would mean the most obsolete and inefficient companies would be able to compete more easily against their modern, cost effective competitors," argues Edman.

There is also a fear that the recommendations would deal a heavy blow to current attempts to promote biomass technology – energy generated from the burning of wood shavings – which is expensive at the moment. Many Swedish environmentalists hope biomass will become an important source of industrial and domestic energy and enable the country to start phasing out its nuclear power industry. They argue that employers would have less incentive to switch to biomass if alternative energy sources were cheaper than at present.

In addition, the report warned that the high level of Swedish energy taxation threatens to lead to the relocation of industry outside the country and discourages inward industrial investment.

Many opponents of cutting industry's energy taxes also dislike the idea of creating a wide price differential between the industrial and domestic uses of energy as individuals paid higher energy bills and industry enjoyed lower ones. Strong consumer resistance could be expected if industry is seen to be enjoying exemption from the burdens of paying more for their energy.

At present the Swedish authorities accept that the current level of energy taxes is impossible to sustain for the whole of industry. An array of exemptions and modifications has been introduced to protect companies in areas of Sweden where unemployment is high or industry is vulnerable.

As a result, in 1990 alone 103 companies were allowed energy tax reductions totalling SKr693.7m with nearly half that figure being accounted for by 37 plants in the pulp and paper sector.

Nevertheless, employers argues that the industrial pollution problem must be tackled through co-ordinated international action. As the country's employers federation pointed out yesterday in its latest study of the impact of energy taxes on industry, Sweden accounts for only 10 per cent of the total sulphur pollution and 15 per cent of the nitrogen emissions falling on the country. The rest comes mainly over the Baltic sea from heavily polluted Poland, the former Soviet Union and eastern Germany.

It is only through harmonising industry's energy tax levels across national frontiers that resolute action is possible to reduce industrial pollution and encourage companies to invest in cleaner production processes. This is why the Swedish government – notwithstanding Johansson's resignation threat – remains keen to bring down levels of energy taxation on industry to harmonise with those planned for the EC which Sweden hopes to join in 1995.

● Sweden's main energy taxes affecting industry

FROM JANUARY 1991 a tax was imposed on sulphur dioxide in coal, peat-based fuels and oil. This tax amounts to SKr30 (£3) for every kilogram of sulphur in coal and peat and SKr27 per cubic metre of oil.

At the same time a carbon dioxide tax was introduced and levied at a rate of 25 ore per kilogram on natural gas, oil, coal, liquified petroleum, gas, petrol and kerosene emitted.

Last month a nitrogen oxide tax was introduced on furnaces and gas turbines used for electricity and heat production. Here actual emissions will be measured with a levy imposed of SKr40 per kilogram.

Sweden also charges a 25 per cent value added tax to energy use on industrial and domestic consumers.

MANAGEMENT

Japanese securities

Sun sets on share scandal

Stefan Wagstyl reports on Nomura's efforts to regain its reputation

In New York or London, the combination of the worst stock market scandal in memory and a long bear market might drive even a strong securities company into bankruptcy.

But in Tokyo, neither last year's scandals involving links with gangsters and secret compensation payments to clients, nor a 90 per cent decline in stock exchange turnover, is likely to remove Nomura Securities from its top position in the securities industry.

The mood at the company's headquarters has changed since last summer when Nomura staff witnessed in horror the resignations of Yoshihisa Tabuchi and Setsuya Tabuchi – the two men who had headed the group for 12 years. They quit over links with a gangster organisation, over compensation payments made to favoured clients and allegations of stock manipulation.

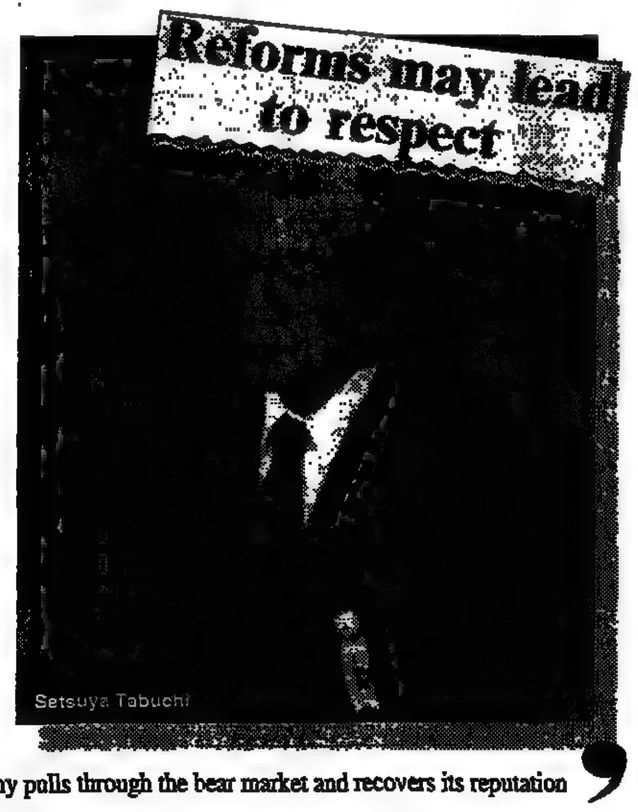
Today there is a quiet determination to make sure the company pulls through the bear market and recovers its reputation. As Atsushi Saito, an executive managing director, says: "We have no intention of making money at the expense of other brokers but Nomura will be the least damaged by the bear market".

The company is going through a management reform designed to increase efficiency, improve contact with customers and erase the memory of the scandal. Executives want to rid the company of the reputation for arrogance which dogged it through the 1980s. Nomura used to move like a bulldozer in the market, with headquarters instructing salesmen across Japan which stock to promote and the salesmen pushing the shares on to their hapless clients. Saito and his colleagues want the new Nomura to be more responsive to customers' needs.

There is little doubting the commitment to reform at the top. But it is a moot point how fast the company can remould the attitudes of staff in its domestic branch network. As one foreign broker in Tokyo says: "What internationally-minded people like Saito think is one thing. What the branch managers think is another".

The root of the company's self-confidence is its formidable financial power. In the year to the end of March 1991, it made Y142bn (£639.63m) net from interest and dividends on its own cash and securities holdings – equivalent to half the pre-tax profit and enough to cover the wages bill for 10 months. In the six months to September, the period when last year's scandal was at its height, Nomura made a pre-tax profit of Y39.7bn – down 64 per cent compared with the same period in 1990 but still almost twice as much as second-ranked Daiwa Securities.

Yoshihisa Tabuchi



Setsuya Tabuchi

Today there is a quiet determination to make sure the company pulls through the bear market and recovers its reputation

Certainly Nomura is hurt by the fall in business on the Tokyo Stock Exchange, where turnover last month was less than one tenth of the average in 1988. Like other brokers, Nomura is cutting costs, including its lavish entertainment budget. More significantly, Nomura is reducing the number of new graduates it hires from 1,525 in 1991 to 1,000 this year and probably fewer still in 1993.

But cutting the intake is different from dismissing existing staff – a last resort for any large Japanese company. As a result, Nomura and other big brokers are able to rely on the loyalty of the workforce, even in times of crisis. Under the regime of lifetime employment, companies rarely hire staff from other groups. So the managers of a troubled group have no choice but to redouble their efforts to avoid disaster.

Moreover, tight regulation has saved Japanese brokers from the worst effects of the bear market. The finance ministry frowns on brokers trading on their own accounts, which has partly shielded them from big investment losses.

The finance ministry is as much a guardian of financial companies as their regulator. So even though officials handed out penalties to Nomura for its involvement in the scandals, there was no possibility that the punishments would break the company.

Nevertheless, the scandal has forced Nomura to acknowledge a need for reform. Top of the list is winning back the trust of private investors who account for some 50 per cent of brokerage income.

The most important departure is training staff to tailor products to clients' needs. The risks of securities investments will be clearly explained to clients: "health warnings" have already been printed on promotional pamphlets.

This is a tacit acknowledgement that the company's bull market tactics of foisting high-risk instruments, such as equity warrants, onto private investors have back-fired.

At the same time, branches are being given more freedom to decide which products to sell. Yasuyuki Idotsuji, the manager of the Ginza branch in central Tokyo, says: "In the past, head office told us which products to sell. Now we decide."

Idotsuji says company training sessions once consisted only of lessons in "how to sell more". Now sales staff are being taught how to collate and interpret information. Nomura has also reformed its staff assessment system to put less emphasis on managers' success in reaching sales targets and more on their knowledge of products and ability to train staff.

Greater freedom for branches is being coupled to a transformation of the Nomura's Research Institute. According to Saito, NRI researchers have in the past produced work which is overly academic – long analyses of issues with little relevance to picking stocks.

Nomura is anxious to show that it is already handling investment information more openly than before. For example, the company's forecasts, once famous for their permanent optimism, are this year notably pessimistic. Officials are free to voice the most damning opinions.

Cynics say these reforms are superficial: it suits Nomura to trumpet their importance to create an impression of change.

But, say critics, the moment share prices recover and the customers return, the temptation to return to the old ways will be strong.

The company's transformation is certainly incomplete. Hideo Sakamaki, the new president, was the close lieutenant of the disgraced Yoshihisa Tabuchi. Also, even though both Tabuchis have lost their board seats, they still have honorary posts and their own offices.

Moreover, Nomura, along with other Japanese brokers, has announced reforms in the past which achieved less than had been promised. For example, in 1988, the group said it was building Chinese walls – internal barriers – to divide its underwriting business from broking, in order to prevent brokers using inside information gained from the underwriters. But last year's scandal showed close co-operation between the two areas.

Similarly, finance ministry officials have said that the brokers are dragging their feet over the elimination of discretionary accounts which they manage on clients' behalf. Such accounts are open to abuse by brokers who might want to generate commission rather than maximise a client's returns.

Nevertheless, it would be wrong to minimise the extent of change at Nomura, not least because reform is in the company's own interest. The old system of generating commission by promoting a small selection of stocks very intensely worked in a bull market. In a bear market, it is in the broker's own interest to market other products more aggressively, even if these generate less commission.

Moreover, the steady advance of financial deregulation in Tokyo will gradually give retail investors, as well as institutions, more choice. The finance ministry is planning to introduce next year legal reforms which will greatly increase the range of products which can be sold as securities.

At the same time, the ministry is considering the reduction of stock exchange commission charges and their possible elimination. Even if the securities industry succeeded in postponing cuts for a while, it accepts that equity broking will never be as lucrative as it was in the 1980s. Diversification is essential.

Executives at all the larger brokerages acknowledge the force of these arguments. But Nomura alone has the resources to meet the challenge head on.

Little bit of sauce on the side

By Dr Michael McGannon


HEALTH CHECK

Many business executives look on eating as a "pit stop" in a race. Others see it as a part of an antiquated reward system where sugar and alcohol are dished out as prizes and comforts. Few executives view nutrition as part of a strategy to help keep them sharp throughout their career. I suspect that few would treat their cars as badly.

Nutrition is central to your life. Your cells are constantly regenerating themselves, using what you eat as building blocks. What passes your lips will determine your overall energy level, your weight, your risk of heart disease and cancer, diabetes, hypertension and mental lucidity. The goal is to provide the right amount of energy for your body in a pleasurable way without making you tired or ill.

The first tip is to go back in time. Our bodies have not evolved as quickly as our lifestyles; as we move towards the 21st century, we expect the body to convert new, synthetic fuels into high performance. What we forget is that the body – and genetic code – is still coping with the changes wrought by the introduction of agriculture 10,000 years ago.

As our technology makes us more sedentary, our food is becoming more processed, more laden with fats and sugars, with the result that heart disease, cancers, chronic fatigue and obesity have all become commonplace. The solution is to take a step back and eat more like our predecessors.

The second tip is to remember that not all fuels are equal in terms of storing energy. Suppose you had to cross the desert with only one of the following: 1 kg of protein, 1 kg of starches (complex carbohydrates), 1 kg of sugar or 1 kg of fat. Which do you choose?

The first three store only 4 calories per gram so you wouldn't get too far. To ensure survival, you should choose fat, as it is the most efficient form of stored energy, able to yield 9 calories per gram.

For the desk-bound manager the equation is different: it is less a matter of physical survival, but of avoiding the diseases of affluence and chronic fatigue. Of the three building blocks – fats, starches, and proteins – the one that is the most help in keeping your stamina up and the safest for your sedentary lifestyle is starches. You can power the body with refined sugars, such as soft drinks or sweets, natural sugars like fruits, vegetables and juices, or complete grains – cereals, rice, pasta, potato, legumes, beans or whole breads.

But the best choices for the long- and short-term, are natural sugars and complete grains as they provide clean energy that is slowly released efficiently without clogging your arteries. Moreover, refined sugars, would give you a burst of energy for which you would pay almost immediately with sluggishness, irritability and hunger. Insulin shuttles the rapidly-absorbed sugar in the cells to where it can be used, creating a hot-running engine on a rollercoaster, destined for burn-out. Coffee, with or without added sugar, will have the same effect.

So go easy on the fats, load up on starches and lean proteins – fish and poultry – and develop a healthy fear of sugar. Most importantly, there is no reason why going for both pleasure and success for every meal should be drudgery.

But don't make the classic mistake of ordering a plate of pasta, smothered with a fatty sauce. That is one step forward and five steps back. Order the sauce on the side and add judiciously. Cut all the visible fat and skin off meat. Don't drink alcohol on an empty stomach – 25per cent will be absorbed directly through the stomach wall. And leave enough time at the end of the meal to walk it off. This is the way to go until you have re-programmed your reward system and have felt the real benefits of eating for success and pleasure.

The author is the medical director of the Insead Business-Health Course.

COMMODITIES AND AGRICULTURE

Opec oil output 'at highest level for 11 years'

OPEC CRUDE oil production in January rose to levels unseen for about 11 years despite promised cutbacks in the latter half of the month, according to a Reuter survey of industry executives and analysts.

Estimated January production was 24.2m barrels a day, about 70,000 b/d above the December level.

Voluntary cutbacks agreed by nine members in the latter half of the month totalled around 410,000 b/d. But some countries never mentioned what level they were cutting from, so it was difficult to determine who did what exactly.

Opec oil output in the last few months has matched levels of 1980-81. Crude output averaged about 25m b/d in 1980 and 23m in 1981.

But a drop is anticipated this month as Opec talks in Geneva on February 12 are expected to decide to cut output further. Opec's big two, Saudi Arabia and Iran, stepped up output last month, but there were wide variations and less certainty about the estimates for both.

Some analysts said Saudi output was as high as 8.7m b/d excluding neutral zone, while others put it as low as 8.4m b/d.

Reuters judged that a fair figure was 8.5m b/d, partly based on comments from observers in Dhahran, home of the state-owned oil company Saudi Aramco, and from tanker trackers.

"It doesn't ring true with what I've seen. There were the usual weekly swings but no big jumps in production last month," a Dhahran trader said of the higher estimates.

Including the neutral zone share the Saudi total is put at 8.65m b/d. But whether excluding or including the neutral zone Saudi output is about 150,000 b/d higher than for December.

TWO TRADE houses, Sucrés et Denrées (Sucden) of France and Switzerland-based Marc Rich, are negotiating to barter about 1m tonnes of raw sugar for oil with sugar buying agency Prodintorg on behalf of Russia, a Sucden trader said, reports Reuters from Paris.

But he said no deal had yet been signed and that former Soviet agency Prodintorg was studying Sucden's offer in Moscow.

Traders in London said on Monday that a major deal could be concluded shortly between Prodintorg and international traders.

The Sucden trader said he did not think the deal involved commodities other than oil, such as metals, as some London traders had said.

Commodity recovery 'likely to be delayed'

A RISE in commodity prices is likely to be delayed by extension of the world recession into the year to end-June 1993, according to the Australian Bureau of Agricultural and Resource Economics, Reuter reports from Canberra.

"Abare's latest estimate is that, as a result of a weaker outlook than previously assumed for the world economy, the current slump will continue into 1992-93, delaying the anticipated recovery in commodity prices," said Mr Brian Fisher, executive director of the bureau.

But he told a major commodity conference that Australia's commodity exports were likely to grow strongly in the medium term, with solid volume growth reinforcing improved prices. Abare expects a 5 per cent drop in Australia's commodity export earnings to A$39.9bn (US$29.8bn) in the year to the end of June, the biggest fall in a decade.

Coffee may go unpicked

THE IVORY Coast's coffee bushes have produced a big crop this year, but low prices and a delayed buying season mean much of it will probably go unpicked, trade and government sources say, reports Reuter from Abidjan.

"It's a big harvest. . . from what was on the bushes we know there was 20 per cent more than last year," one trader said. "But a lot of it might just stay there".

Several observers put the potential maximum 1991-92 crop at 300,000 tonnes of robusta compared with trade and government estimates of between 250,000 and 270,000 tonnes in 1990-91. Government officials said they expected an actual harvest of about 250,000 tonnes or less.

Canadian gold deposit written off

By **Bernard Simon** in Toronto

PLACER DOME, the Vancouver-based gold producer, has decided to write off the Mt Milligan deposit and take other write-downs totalling C$397m (£190m), thus acknowledging that it greatly overpaid for its interests in some of Canada's most highly publicised mineral discoveries.

Two-thirds of the charge, or C$266m, reflects the Mt Milligan write-off. Placer has also halved the C$106m carrying value of its 22 per cent stake in the Eskay Creek gold property, also in British Columbia.

The company now appears to be putting its faith in a new discovery in Nevada. Mr Fraser Fell, Placer's chairman, said yesterday that the company hopes to build an open-pit mine on the Nevada deposit, known as the Pipeline project, "within a few years." The deposit, which is part of the Cortez joint venture in north-central Nevada, contains an estimated 2.7m troy ounces of gold at an average grade of 0.237 ounces per tonne. Placer has a 60 per cent stake in the project.

Placer has affirmed its intention to maintain or increase its gold output, which reached a record 1.68m ounces last year. But Mr John Lydall, analyst at First Marathon Securities, said yesterday that "management has a huge job to do to continue to replace ore reserves".

Placer bought the Mt Milligan property just over a year ago. It has now shelved plans to build a mine there, saying that returns would be insufficient to justify the C$500m to $600m capital investment. It would require a gold price above US$400 a troy ounce to make the project viable. Last night gold closed in London at $356.30.

Recent drilling at the site has led the company to cut its estimate of gold grades from 0.017 to 0.013 ounces a tonne. Its estimate of the copper grade has risen from 20 per cent to 22 per cent. Placer said that, should Mt Milligan be developed in the future, its annual output would average 100m lb of copper and 250,000 ounces of gold over a 12-year life.

Placer said the Eskay Creek writedown reflects a cut in the estimate of mineable reserves of gold and silver since it acquired its interest in mid-1990. The estimate has been lowered from 4.5m to 3.1m ounces of gold equivalent, and the mine is now expected to be an underground rather than open pit operation.

Placer has taken smaller writedowns on its 64 per cent interest in the Paymaster gold property near Timmins, Ontario; its Dona Lake mine in Ontario; and its wholly-owned Sigma mine in Quebec.

Eastern bloc metal shipments 'to remain high'

By **Kenneth Gooding**, Mining Correspondent

NET EXPORTS of aluminium, copper, lead and zinc from the former eastern bloc countries to the west are forecast to remain high by the Economist Intelligence Unit.

In its latest World Commodity Outlook report it says western metals producers are unlikely to get much relief from the turmoil and low prices caused by eastern bloc exports. "There is a case for arguing that over the next few years Soviet exports are more likely to rise than to subside," it adds.

The report suggests that the fall in production in the former Soviet Union, which has released more metal for export at a time when the republics are desperate for foreign currency, has nothing to do with market mechanisms. It is taken to be the effect of "growing dislocation, both political and economic".

It adds: "The influences that pushed up Soviet metal exports in 1991 are likely to lift them further in 1992, which is seen as another year of sharp economic decline".

Net Imports from the Former Eastern Bloc ('000 tonnes)

	1992	1991	1990
Copper	320	300	260
Aluminium	690	660	400
Zinc	100	75	39
Lead	90	70	80
Nickel	110	110	114

Source: EIU

Looking farther ahead than it usually does, the report predicts that net exports of copper from the former Soviet Union are expected to rise to 325,000 tonnes in 1994, those of lead to 130,000 tonnes and those of zinc to 144,000 tonnes.

It says: "This conclusion might seem out of place in a volume of short-term forecasts, but the question of whether Soviet exports rise from their disruptive 1991 levels or fall back to something more digestible is surely germane to the decisions producers have to take now about whether to cut production or not. We do not believe that relief is just around the corner".

In the circumstances, the EIU does not see the London Metal Exchange three-month price for copper averaging more than 97 cents a lb in 1992, compared with 106.6 cents last year, though it should rise towards the end of the year as a sustained recovery in prices gets under way.

Aluminium's price is predicted to average $1,100 a tonne, down from $1,333 last year. "In real terms, $1,100 would be the lowest annual average aluminium price in recent history and possibly of all time, well below the level reached in 1986," the report points out.

Other LME-traded metals are forecast to show higher average prices this year compared with 1991: lead at 26.3 cents a lb (25.3 cents); nickel $4.20 a lb ($3.90); tin $3.66 a lb ($2.54) and zinc 52.5 cents a lb (50.7 cents).

The report also argues that prospects for traded metals should not be judged solely in the light of the dim outlook for economic growth in the OECD countries. The much better growth prospects in the leading developing countries need to be taken into account too.

Between 1973 and 1990 these countries lifted their share of consumption outside the eastern bloc from 8 to 18 per cent for aluminium, from 7 to 18 per cent for copper, from 12 to 22 per cent for lead, from 13 to 25 per cent for zinc and from 11 to 24 per cent for primary tin. Even for nickel their share rose from 2 to 12 per cent.

The EIU suggests the developing countries will continue to outpace the OECD countries this year and predicts the combined growth of South Korea, Taiwan, India, Turkey, Mexico and Brazil will be 4.9 per cent compared with 2.6 per cent for the developed countries.

● Russia's Norilsk nickel production consortium is cutting exports, but denies reports that it is planning to close one of its three smelters, reports Reuter from Moscow.

"We are not satisfied with world prices for nickel, so we decided to bring down the volume of nickel exports from our consortium," said Mr Boris Kazakov, Norilsk's first deputy chairman.

The consortium is responsible for about 80 per cent of nickel production in the former Soviet Union.

"We are not actually planning to shut down the whole complex but we decided now was the moment to modernise and re-equip some of our smelting facilities. This will of course result in a decrease of our production levels," he said.

World Commodity Outlook 1992: Industrial Raw Materials, £145 or US$275 from the EIU, 40 Duke Street, London W1A 1DW, UK.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+7,325	to 1,063,200
Copper	+3,025	to 308,600
Lead	+660	to 130,550
Nickel	+582	to 18,498
Zinc	+1,050	to 169,075
Tin	+40	to 13,640

Indian jute mill workers settle in for long strike

By **Kunal Bose** in Calcutta

INDIAN JUTE mill workers appear to be settling in for a long strike in support of demands for a pay rise. Neither the trade unions nor the Indian Jute Mills Association believe that the dispute – now affecting 54 mills in West Bengal, where the industry is largely concentrated – will be settled quickly. And the Marxist government of West Bengal seems to be in no hurry to bring about a settlement.

In the past two decades the highly unionised jute workers have gone on indefinite strike on six occasions. The 1984 stoppage, the longest in the industry's history, lasted nearly three months. This time the mill owners, who claim the wages they pay compare favourably with those in other industries, are determined to resist the workers' demands, insisting that pay rises must be linked to improved productivity.

Some mill owners suspect that the state government will use the present strike to register its protest against the federal government's appeal to avoid any kind of industrial action for at least two years.

According to Mr Bharat Jalan, chairman of the Jute Mills Association, the strike will affect India's export of jute goods badly, particularly to the hard currency areas. Whenever there has been a long strike in the past, either in jute mills or at Calcutta port, which handles jute cargoes, India has been forced to concede a portion of its share of the world jute goods market, mainly to Bangladesh but also partly to Thailand and China.

Mr R.N. De, the jute commissioner, agrees with the IJMA chief that the dispute will be sending out disturbing signals to overseas buyers who, after watching the situation for a while longer, are likely to cancel orders placed earlier with Indian mills and merchant shippers and cover their position elsewhere. Bangladesh, however, will not be in a position to reap full benefit from India's predicament as it has shut down some unprofitable mills, according to Mr De.

In keeping with India's new trade policy, he said, the industry had gone all-out to increase exports of jute goods to hard currency areas and reduce dependence on rupee trade countries during 1991-92. In the eight months to November 1992 the country's jute goods export to hard currency countries increased to 94,000 tonnes, worth Rs1.44bn (£31m) from 65,000 tonnes, valued at Rs830m in the corresponding period of the previous year. Exports to the rupee payment countries, on the other hand, declined from 77,300 tonnes valued at Rs1.03bn, to 49,200 tonnes, worth Rs790m.

As the indications are for a long drawn-out strike, there appears no way India can achieve the export target of 250,000 tonnes during 1991-92.

Following sustained market development efforts and devaluation of its currency, India seemed set to win many new buyers for its high value hessian, carpet-backing cloth, yarn and speciality items in the UK, Germany, France, Italy, The Netherlands and Japan. But, according to the merchant shippers, the country is now likely to lose the new customers.

Exporting has not come to a stop, however. The five jute mills owned by the federal government and a mill run by the workers' co-operative have been able to keep on producing and despatching jute goods as the trade unions have exempted them from the strike.

Domestic sales of jute goods will also shrink as a result of the strike. The synthetic bag industry is well developed in the country and it is going to take full advantage of the suspension of production in jute mills. As long as the jute mills were in operation, the synthetic bag producers could not utilise their full capacity because jute was enjoying protection. They are certain to ask for the removal of that protection, at least while the strike lasts. And the government, which is in the process of liberalising the economy, will find it difficult to turn down the synthetic bag industry's demand.

The strike will also have an impact on the next jute crop. In Assam, North Bengal and Bihar, the preparation of land for jute cultivation will begin by the end of this month and in South Bengal in the middle of March. Even though the growers have by now disposed of 90 per cent of the 1991-92 crop, they are likely to switch some land from jute to paddy and oilseeds in view of the reaction in fibre prices, according to Mr Shankar Ladia, spokesman for jute trade. Raw jute prices started falling when the strike began late last month.

The switch could remove between 10 per cent and 20 per cent of land now under jute.

For two consecutive years India has harvested bumper jute crops in excess of 9m bales (180 kg each). But the mill strike has raised serious doubts about the prospects for the 1992-93 crop.

Ferrochrome capacity closed

SOUTH AFRICA'S second biggest ferrochrome producer, Consolidated Metallurgical Industries, says it has shut down 40 per cent of its installed capacity in what it hopes is a short-term move, reports Reuter from Johannesburg.

Mr David Kovarsky, the chairman, said rise in the South African industry's selling price for the last quarter of 1991 and first quarter 1992 – to 52 US cents a lb from 48 cents – was "devastating to our ability to sell".

The company, part of Johannesburg Consolidated Investment Company, has a total production capacity of 330,000 tonnes a year.

CMI did not say what actual production was before the cuts.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,690-1,720 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.00-1.25 (1.15-1.35).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 28.50-29.50 (30.00-31.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-130 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.27-2.30 (22.30-2.33).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum opened up a premium of more than $5 a troy ounce over gold on the London bullion market yesterday. US chartists said Nymex platinum futures prices were lingering near a key chart area that would either result in a $20 rise or a resumption of the recent downtrend. New York analysts said rumours continued to circulate about cash market buying by South African producers, as well as news that Russia's Norilsk nickel plant was cutting exports. Traders are concerned that reductions in nickel exports and output could spill over to platinum, a by-product at Norilsk. Silver and gold closed steady. "It's a $354 to $358 range on gold and a 412 to 422 cent range in silver," said one dealer. "Client business is low and you acknowledge those ranges as they get narrower and narrower indicating a break-out will be quite a good move." London May cocoa closed at a five-month low of £724 a tonne. "Earlier fund selling seems to have dried up, which is allowing the market to consolidate to a certain extent, but it is not oversold so there is no reason for a technical bounce," said one dealer. Market expectation of origin selling by the Ivory Coast is a major factor in the pressure on prices.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.30q	
Brent Blend (dated)	$18.30-8.40	
Brent Blend (Mar)	$18.20-8.30	+.075
W.T.I. (1 pm est)	$19.05-9.10	+.175
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$202-204	+2
Gas Oil	$177-178	+1
Heavy Fuel Oil	$65-66	
Naphtha	$184-186	+1
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$356.30	-0.40
Silver (per troy oz)♣	417.0c	
Platinum (per troy oz)	$361.45	+3.55
Palladium (per troy oz)	$86.80	-0.7
Copper (US Producer)	101.75c	-0.75
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.81r	
Tin (New York)	254.25c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.47p	-0.94
Sheep (live weight)†♣	103.09p	-1.06
Pigs (live weight)†	92.00p	-0.28
London daily sugar (raw)	$196.0y	-4.0
London daily sugar (white)	$264.0y	+0.5
Tate and Lyle export price	£215.0	-3.5
Barley (English feed)	£123z	
Maize (US No. 3 yellow)	£147z	
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	50.25p	
Rubber (Apr)♥	50.50p	
Rubber (KL RSS No 1 Feb)	214.5m	
Coconut oil (Philippines)§	$740.0y	+5.0
Palm Oil (Malaysian)§	$362.5y	
Copra (Philippines)§	$480y	
Soyabeans (US)	£148.5	+0.5
Cotton "A" index	56.75c	
Wooltops (64s Super)	411p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	178.20	177.00	178.60 178.40
May	179.20	177.00	179.00 177.00
Aug	181.80	180.40	181.40 180.40
Oct	182.40	181.40	182.20 180.60
White	**Close**	**Previous**	**High/Low**
Mar	261.5	260.0	262.0 259.5
May	264.5	262.9	265.0 263.0
Aug	268.5	268.8	268.5

Turnover: Raw 1614 (1218) lots of 50 tonnes. White 1925 (1724)
Paris- White (FFr per tonne): Mar 1418.41, May 1445.27

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Mar	18.30	18.16	18.45 18.09
Apr	18.21	18.05	18.34 18.00
May	18.22	17.97	18.27 17.97
Jun	18.19	17.94	18.18 17.91
Jul	18.10	17.89	18.10 17.95
Aug	18.18	17.97	17.93
IPE Index	18.17	18.14	18.17

Turnover 19687 (17784)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Feb	173.00	172.25	173.00 170.25
Mar	170.00	169.50	170.50 168.00
Apr	166.50	166.00	166.75 165.75
May	164.50	164.00	165.00 164.00
Jun	165.50	165.00	165.75 164.50
Jul	167.00	166.50	167.00 165.25
Aug	168.75	168.50	168.75 167.50
Sep	171.00	170.50	171.00 170.00
Oct	173.00	172.50	173.00 172.00

Turnover 11369 (9404) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales amounted to 95 tonnes for the week ended January 31, compared with 436 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles,notably American and Pakistani.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	698	710	702 692
May	724	739	732 722
Jul	750	766	758 746
Sep	774	787	780 770
Dec	808	818	811 802
Mar	837	849	841 833
May	855	865	861 854
Jul	874	902	880 871
Sep	891	926	889 887
Dec	917	916	913

Turnover: 14560 (6274) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb.3 891.93 (910.27) 10 day average for Feb.4 907.04 (909.79)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Mar	873	872	882 867
May	890	887	893 880
Jul	906	902	909 898
Sep	926	924	929 920
Nov	946	944	949 940
Jan	965		964 960

Turnover:4939 (4477) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb. 3 : Comp. daily 55.98 (56.98) 15 day average 60.23 (60.65)
Sterling close: .March £486

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Mar	120.0	116.5	119.0
Apr	119.8	121.3	120.5 119.5
May	138.5	140.0	138.5 138.0

Turnover 151 (121) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	130.00	128.00	

Turnover - (159) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Feb	1422	1423	1422 1410
Mar	1473	1470	1475 1459
Apr	1488	1485	1488 1480
Jun	1270		1265
BFI	1402	1421	

Turnover 115 (225)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	125.90	126.45	125.95 125.75
May	129.25	129.85	129.35 129.00
Jun	131.00	131.80	131.10 130.75
Barley	**Close**	**Previous**	**High/Low**
Mar	117.65	118.65	118.25 117.55
May	120.40		120.75 120.25

Turnover: Wheat 264 (232), Barley 60 (4).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	123.5	123.0	123.5 123.0
Mar	120.0	120.5	120.0 119.0
Apr	119.0	117.0	117.0
Jun	114.0	113.5	113.5 113.3
Jul	108.5	108.5	108.5

Turnover:70 (32) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 137,599 lots
Cash	1211-12	1220-1		1208-6		
3 months	1236.5-7	1246-7	1239/1226	[illegible]	1231-2	19,113 lots
Copper, Grade A (£ per tonne)						Total daily turnover 119,339 lots
Cash	1202-3	1208-6.5	1198.5/1198	1196.5-9		
3 months	1226.5-6	1235.5-6	1229/1225	1226-6.5	1226.5-7	25,200 lots
Lead (£ per tonne)						Total daily turnover 16,664 lots
Cash	280.5-1.5	283.25-3.5	281	280.5-1		
3 months	292.5-3	294.75-5	293.5/292.5	292.5-3	292-3	1980 lots
Nickel ($ per tonne)						Total daily turnover 22,340 lots
Cash	1211-2	7715-18	7685/7680	7685-90		
3 months	[illegible]	7790-5	7790/7755	7765-70	7760-5	4030 lots
Tin ($ per tonne)						Total daily turnover 5,087 lots
Cash	5490-5	5490-5	5493/5490	5488-93		
3 months	5545-8	5559-60	5550/5545	5546-48	5550-5	1,131 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 43,934 lots
Cash	1153-5	1157.5-8	1150/1148	1147-8		
3 months	1139-40	1139-40	1141/1132	1134-5	1139-7	12,810 lots

LME Closing £/$ rate:
SPOT: 1.8003 3 months: 1.7724 6 months: 1.7442 9 months: 1.7209

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	356.10-356.50	
Opening	356.10-356.50	
Morning fix	356.35	198.192
Afternoon fix	356.00	197.416
Day's high	356.50-356.80	
Day's low	355.90-356.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.35	6 months	3.35
2 months	3.35	12 months	3.30
3 months	3.35		

Silver fix	p/fine oz	US cts equiv
Spot	231.90	416.80
3 months	234.15	420.65
6 months	236.44	424.80
12 months	242.05	434.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.00-357.00	197.50-198.00
Maple leaf	367.00-368.00	203.50-204.00
New Sovereign	87.00-88.00	48.25-48.75

TRADED OPTIONS

Aluminium (99.7%) Strike price $ tonne	Calls Mar	Calls Jun	Puts Mar	Puts Jun
1200	44	82	20	36
1250	20	56	46	59
1300	6	36	108	88
Copper (Grade A)	**Calls**		**Puts**	
2050	125	142	2	15
2150	43	75	19	45
2250	7	32	82	100
Coffee	**Mar**		**Mar**	
450	36		1	
500	5		20	
550			65	
Cocoa	**Mar**	**May**	**Mar**	**May**
675	26	60	6	11
700	11	43	111	19
725	4	29	34	30
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700			2	23
1750	66	96		37
1800	38		15	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	356.2	356.7	357.0	356.0
Mar	356.9	357.4	0	0
Apr	357.9	358.4	358.7	357.4
Jun	360.0	360.5	360.7	359.6
Aug	362.2	362.7	362.8	362.2
Oct	364.2	364.7	364.6	364.1
Dec	366.4	366.9	367.3	367.1
Feb	366.7	369.2	369.0	369.0
Apr	357.9	358.4	358.7	357.4

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	361.5	356.9	362.0	359.5
Jul	360.9	356.1	361.5	358.5
Oct	362.9	357.6	363.5	361.5
Jan	362.9	358.3	360.0	360.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	416.1	415.8	0	0
Mar	417.5	417.0	420.5	416.0
Apr	418.8	418.5	0	0
May	420.4	420.1	423.0	419.5
Jul	423.5	423.3	426.0	423.0
Sep	426.9	426.7	429.5	429.5
Dec	432.4	432.3	433.5	432.5
Jan	434.2	434.2	0	0
Mar	438.3	438.3	0	0
May	442.8	442.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	97.15	97.15	97.70	97.15
Mar	97.55	97.60	98.20	97.50
Apr	97.50	97.55	97.70	97.50
May	97.45	97.50	97.95	97.35
Jun	97.40	97.45	97.60	97.60
Jul	97.35	97.45	97.85	97.35
Aug	97.46	97.55	0	0
Sep	97.50	97.60	98.00	98.00
Oct	97.50	97.60	0	0
Nov	97.60	97.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Mar	19.27	18.98	19.35	18.89
Apr	19.49	19.16	19.53	19.08
May	19.54	19.24	19.58	19.19
Jun	19.55	19.27	19.57	19.23
Jul	19.53	19.27	19.58	19.26
Aug	19.52	19.27	19.50	19.27
Sep	19.51	19.27	19.45	19.38
Nov	19.49	19.27	19.28	19.25
Dec	19.50	19.28	19.44	19.28

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Mar	5476	5353	5495	5320
Apr	5441	5308	5450	5280
Jun	5346	5235	5360	5215
Jul	5350	5245	5365	5230
Aug	5415	5310	5340	5320
Sep	5545	5445	5465	5445
Oct	5660	5555	5650	5560
Nov	5750	5660	5675	5665

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1129	1149	1151	1122
May	1165	1182	1189	1160
Jul	1205	1218	1227	1200
Sep	1240	1250	1260	[illegible]
Dec	1276	1286	1291	1269
Mar	1305	1316	1320	1305
May	1332	1341	0	0
Jul	[illegible]	1361	1376	1376
Sep	1382	1401	1399	1396
Dec	1430	1431	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	70.75	70.50	71.50	70.45
May	73.90	73.50	74.50	73.45
Jul	76.65	76.10	77.25	76.25
Sep	79.60	78.95	80.00	79.00
Dec	83.60	82.75	83.60	[illegible]
Mar	86.50	85.80	86.75	86.25
May	89.45	89.00	89.00	88.50
Jul	90.95	90.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.05	8.00	8.14	7.98
May	8.11	8.03	8.17	8.07
Jul	8.18	8.13	8.24	8.15
Oct	8.25	8.20	8.30	8.21
Mar	8.36	8.32	[illegible]	8.37
May	8.36	8.38	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	54.65	56.65	54.70	53.65
May	56.55	59.40	56.65	55.65
Jul	58.07	60.20	58.15	57.11
Oct	60.75	61.55	60.60	60.10
Dec	61.38	62.20	61.45	60.66
Mar	62.83	62.80	62.90	62.10
May	63.55	62.20	0	0
Jul	64.20	62.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	141.20	143.50	143.90	141.00
May	141.40	143.45	144.05	141.10
Jul	141.30	143.40	144.00	141.10
Sep	139.40	140.50	140.85	138.50
Nov	131.85	133.55	134.00	131.50
Mar	131.60	133.50	132.50	132.00
May	131.60	133.50	0	0
Jul	131.60	133.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb.4	Feb 3	mnth ago	yr ago
1568.0	1577.8	1586.6	1652.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb.3	Jan.31	mnth ago	yr ago
Spot	117.04	117.36	115.28	122.09
Futures	121.94	122.73	127.31	126.08

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	577/6	577/4	581/4	575/4
May	582/6	583/2	587/0	581/2
Jul	590/4	591/0	594/4	589/0
Aug	593/4	594/4	597/0	592/0
Sep	595/4	597/0	598/0	595/0
Nov	602/6	604/6	607/0	601/4
Jan	611/0	612/2	615/0	611/0
Mar	620/2	621/4	624/4	619/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.00	19.23	19.16	18.98
May	19.27	19.52	19.45	19.25
Jul	19.56	19.82	19.75	19.55
Aug	19.72	19.96	19.90	19.72
Sep	19.84	20.10	20.04	19.84
Oct	19.97	20.22	20.21	19.96
Dec	20.28	20.52	20.46	20.27
Jan	20.41	20.55	20.55	20.41

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	176.6	177.2	178.8	176.6
May	178.0	178.2	179.7	177.8
Jul	180.7	180.1	181.5	179.7
Aug	181.8	181.0	182.3	[illegible]
Sep	182.5	181.6	183.6	181.9
Oct	196.0	194.9	196.5	194.8
Dec	197.7	197.0	198.1	196.8
Mar	[illegible]	200.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	268/2	[illegible]	269/0	268/4
May	275/0	274/0	275/4	273/0
Jul	279/4	278/6	280/0	277/6
Sep	274/4	274/0	274/6	273/0
Dec	270/2	269/2	270/4	268/4
Mar	276/2	275/4	276/2	274/6
May	280/6	280/0	280/6	279/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	440/2	446/0	450/0	440/2
May	432/2	430/2	433/4	427/4
Jul	397/6	395/6	397/6	393/4
Sep	399/4	399/0	[illegible]	[illegible]
Dec	407/6	405/0	[illegible]	404/4
Mar	406/0	406/2	407/4	404/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	77.82	76.86	78.00	77.35
Apr	77.72	77.07	77.85	77.30
Jun	73.10	72.12	73.15	72.40
Aug	69.07	68.57	69.20	68.65
Oct	69.47	69.07	69.55	69.15
Dec	70.05	69.80	70.20	69.75
Feb	69.75	69.55	69.80	69.75

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.72	41.12	41.75	41.20
Apr	41.25	40.20	41.30	40.75
Jun	44.65	44.20	46.02	44.30
Jul	45.15	44.58	45.27	44.60
Aug	43.70	43.35	43.80	43.30
Oct	40.95	40.62	40.95	40.60
Dec	44.02	43.70	44.12	43.80
Feb	44.92	44.60	44.92	44.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	34.20	35.30	34.65	33.60
Mar	34.67	34.06	34.80	34.10
May	35.10	35.42	36.15	35.45
Jul	36.05	36.37	37.15	36.50
Aug	36.00	35.27	36.40	35.80

LONDON STOCK EXCHANGE

Shares struggle in a nervous market

By Terry Byland, UK Stock Market Editor

ANOTHER nervous session in the UK equity market yesterday saw share prices struggling to hold on to their current levels as investors focused increasingly on the investment climate on the other side of the Atlantic. Once again, the London market bounced successfully after testing the FT-SE 2,550 area, but shares were drifting lower again at the close. Trading volume remained disappointingly low and there were fewer special situations to provide highlights.

London's nervousness regarding Wall Street increased when the Dow Average reacted cautiously in early trading yesterday to Congressional testimony on the economy from Mr Alan Greenspan, the chairman of the Federal Reserve Board. The Dow remained five points higher when London closed for the day but the Standard & Poor's futures came under pressure.

Mr Ian Harnett at Strauss Turnbull pointed out that the US market is facing a serious testing point, as both the Dow itself and its near term moving average challenge the longer term (21 day) moving average. The testing time could come on Friday when the latest US labour statistics are due.

It was against this general background that the London market refused to respond to the 10.73 gain in the Dow Average overnight. After moving ahead only very briefly, the UK stock market turned off as the stock index futures market again provided little support.

The FT-SE Index was soon down by 11.6 at 2,548.6 and traders waited nervously to see if the 2,500 mark could be regained. The big institutions continued to play a wary game, picking up some stock where it suited them but not showing their hands across the range of the market.

However, selected demand for a handful of Footsie stocks enabled the market to rally and to move into positive territory again, but only for a short time. Investors backed away in London as the time for Wall Street's opening drew near.

With the early 12 point gain on the Dow cut back sharply by the time London closed, UK stocks turned down in later trading, brushing off an upward squeeze in the stock index futures. The final reading put the FT-SE Index at 2,556.8 for a net loss on the day of 3.4 points.

Among the international blue chips, which are traditionally vulnerable to Wall Street's influence, activity in the pharmaceutical stocks died down. BAT Industries remained firm, with London traders reporting that potential buyers were still attracted by the prospect of increased tobacco sales in eastern Europe.

Trading volume, as traded through the Seaq system, totalled 468.8m shares, compared with 414.8m in the previous session. But statistics from the Stock Exchange showed that retail, or customer, equity business on Monday fell to only £744.6m, more than 20 per cent down on some recent trading sessions. Traders were convinced that retail business had remained relatively thin in yesterday's session.

Currency uncertainty also acted as a brake on UK equities, with UK analysts unsure how to react to the wage agreement struck by some German steelworkers. While a further cut in UK base rates is still widely expected before the general election now expected this spring, over-optimism was discouraged yesterday by a dip in the sterling/DM rates.

Account Dealing Dates		
*First Dealings:		
Jan 27	Feb 10	Feb 24
Option Declarations:		
Feb 6	Feb 20	Mar 5
Last Dealings:		
Feb 7	Feb 21	Mar 6
Account Day:		
Feb 17	Mar 2	Mar 16

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Feb 4	Feb 3	Jan 31	Jan 30	Jan 29	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	88.08	87.92	87.84	87.84	87.90	84.55	88.06 (4/2/92)	85.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.80	100.67	100.64	100.62	100.68	93.47	100.80 (4/2/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1978.7	1984.2	1996.6	1973.6	1985.8	1703.6	2108.3 (2/9/91)	1608.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	145.1	145.9	144.3	148.1	148.9	134.9	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2556.8	2560.2	2571.2	2550.8	2546.5	2172.4	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1174.55	1175.42	1179.30	1171.02	1169.32	995.35	1199.60 (3/9/91)	938.62 (16/1/91)	1199.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.61	4.60	4.58	4.63	4.64	5.62				
●Earning Yld %(full)	6.92	6.90	6.87	6.94	6.96	11.71				
●P/E Ratio(Net)(*)	18.18	18.22	18.31	18.11	18.08	10.33				
SEAQ Bargains 4.45pm	29,609	31,089	32,873	25,289	27,386	25,900				
Equity Turnover(£m)†	-	744.60	1369.7	1,343.6	998.4	699.81				
Equity Bargains†	-	31,854	32,383	29,434	27,898	25,849				
Shares Traded (ml)†	-	397.6	562.5	567.4	460.1	345.7				

Ordinary Share index, Hourly changes — Day's High 1987.4 — Day's Low 1974.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1987.4	1979.4	1974.8	1980.6	1978.9	1976.7	1979.8	1978.8	1980.2

FT-SE 100, Hourly changes — Day's High 2562.5 — Day's Low 2548.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2562.4	2556.5	2549.4	2554.8	2555.8	2557.5	2557.0	2556.3	2558.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1175.56 — Day's Low 1169.30

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1170.14	1170.04	1172.41	1171.58	1172.56	1175.16	1171.33

[illegible]

GILT EDGED ACTIVITY

	Feb 3	Jan 31
Indices*		
Gilt Edged Bargains	76.0	79.9
5-Day average	80.9	83.9

*SE Activity 1974. †Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Heavy volume in Racal

RECENT bid target Racal Electronics saw its heaviest turnover since Williams Holdings launched its offer for the company in September. The shares jumped by 8.5 per cent as two securities houses took an enthusiastic stance on the stock and rumours of stake changes filtered through the market. The shares rose 4 to 51p with nearly 30m traded.

First, County NatWest's electronics team published an internal note advising their sales pitch to recommend a switch out of GEC (slightly off at 207¼p) into Racal. County analyst, Mr Patrick Wellington, said: "Racal is cheap on fundamentals, its demerger from Chubb in the summer will extricate value and there is still every possibility that a bidder will emerge for the whole or part of the group." County was said to be responsible for almost a third of the turnover.

Second, agency broker James Capel, was said to have shifted its stance on the stock to a buy and purchased 6m shares in the market during early trading.

Although no one from Capel was available for comment, the firm's alleged move prompted widespread belief that a large stakeholder was changing tack. Williams still holds almost 10 per cent – 139m shares – and on January 31 it was announced that Guardian Royal Exchange had increased its stake from 4.5 per cent to 5.06 per cent.

Vodafone firm

Busy turnover was seen in Vodafone as a number of brokers decided that the group's recent downgrades and underperformance was overdone. The spur to the move was the release yesterday of the latest mobile phone industry subscriber figures, which gave Vodafone a healthy 5,500 new users. The shares added 8 to 342p in busy volume of 5.2m.

Re-affirming its positive stance, Mr Paul Ruddle at Charterhouse Tilney said: "The price has been off by about 10 per cent since the start of the year, mainly because of the worries over Orbitel, and we feel it has been a little overdone." UBS Phillips & Drew also reiterated its buy recommendation on the stock.

Selected property stocks outperformed as one broker – believed to be S G Warburg – turned buyer. MEPC gained 3 to 380p, while Land Securities gained 7 to 473p.

UBS Phillips & Drew said it was likely to revise its NAV levels after the latest gloomy statistics from the Investment Property Databank, which show the acuteness of the downturn in the City office sector. According to UBS, the figures indicate City office capital values falling 32.5 per cent in 1991, far more than the house had been expecting.

Positive stances on Rosehaugh were adopted by a couple of brokers as optimism was shown over the group's medium-term financing being put in place. The shares rose 1½ to 7p. Good two-way business in Mountleigh saw 6.7m shares traded, the shares edging ¼ to 6½p.

Buyers returned for British Aerospace, lifting the shares 17 to 296p. In addition to bargain-hunting, sentiment was helped by news that the European Court of Justice had overturned a European Commission ruling that would have forced BAe to repay £44.4m of subsidies to the UK government.

Analysts had, however, expected the court ruling and said there would be no change in profit forecasts.

Buyers were also encouraged by an announcement that Templeton, Galbraith and Hansberger, the Bahamas-based fund management group, had taken a 3.01 per cent stake in British Aerospace. Turnover had reached 3.5m by the close.

Water stocks were active and moved ahead as the market continued to assess the political outlook in the UK. Among the major moves were Southwest Water up 12 to 350p and Yorkshire Water ahead 9 at 388p.

Fuel distributor Calor Group rose 11 to 212p on a buy recommendation from securities house Smith New Court. Mr Steve Turner of Smiths said: "We see it as a buy on valuation grounds. The yield of 8 per cent for 1991 is very attractive and confidence in future prospects are enhanced by the sharp falls in feed stocks."

British Gas fell 4½ to 244¼p with 5.1m traded as the company's broker Hoare Govett struck a note of caution on the stock as it published research on the impact of the Office of Fair Tradings proposals.

Oil majors were flat with BP easing 2 to 284p and Shell drifting a penny to 476p. News that Iraq had pulled out of oil talks with the UN came after the market closed. However, the news is expected to lift prices.

London & Manchester recovered 8 to 258p following the recent shock of its provisions for commercial mortgages.

SmithKline Beecham stood out in a firm pharmaceuticals sector with a rise of 10 to 355p in the "A"s as it bounced back after being oversold in the US. One analyst pointed to a US Aids publication as boosting sentiment. The journal apparently argued that SmithKline's Tagamet drug, the world's second best-selling ulcer drug, could be useful as an Aids drug.

London International Group bounced back 6 to 305p as a stock shortage was mopped up. Life Science was squeezed up 8 to 157p as dealers realised that one investment bank was short of stock and squeezed it during early business.

Brewers remained weak, with Allied Lyons falling another 9 to 680p on confusion about the status of 734 pubs that the company intends to lease to Brent Walker.

The Office of Fair Trading has warned it hopes to persuade the courts that these pubs are still part of Allied's tied estate after the November deadline when the company must free 2,380 pubs from exclusive agreements.

Warburg Securities has downgraded its profits forecast for Allied, partly as a result of mediocre wine and spirit sales in the US and UK over Christmas. Grand Metropolitan lost 11 to 926p, in sympathy with the sector in general, despite a buy recommendation from Panmure Gordon. Nervousness about Wall Street depressed the shares, with Grand Met seen as vulnerable through its subsidiary IDV, the largest drinks group in North America.

Guinness fell 1 to 571p, but was stronger than several companies in the sector following news that its subsidiary United Distillers intends to streamline operations in the US, by cutting the number of its distributors, re-organising scotch whisky sales and reducing staff levels.

Hotel talk continued to dominate the leisure sector yesterday, with occupancy rates again the focus of attention. Vaux, the brewery and hotels group, held a presentation and revealed a 7 per cent fall in occupancy levels and a 4 per cent drop in room rates. It added that it was not expecting an improvement until 1993. Today, analysts visit Forte where a more bullish account is expected. Vaux dipped 9 to 201p. Forte lost 2 to 225p among a weak hotel sector.

Gambling machine group Kunick rose 3 to 11½p as the market took stock of the 570,000 shares purchased by directors at 9p late on Monday.

The dust settled on Granada Group following the resignation of Mr David Plowright on Monday, the shares slipping 4 to 219p, although the mood in the market was still sombre.

Shares in TI Group which recently fell as the market focused on the company's accounting practices bounced 19 to 599p after a recommendation from County NatWest. The securities house said: "TI's accounting policies stand comparison with its peers" and the market should "focus upon the prospect of strong earnings growth in 1993 and beyond".

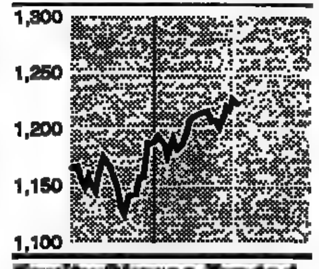
A stock overhang left Siebe 8 lighter at 555p. GKN shed 3 to 317p after UBS Phillips & Drew took the stock off its buy list. Tiphook was believed to have been the victim of a bear raid. The shares shed 15 to 400p.

Eurotunnel fell 15 to 445p on speculation that shares in the company may be offered to the consortium of Anglo-French companies building the tunnel as part settlement of their claim for excess costs.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Colin Millham,
Christopher Price.

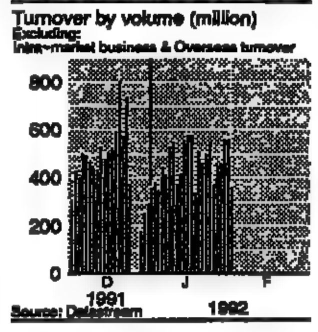
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (). BRITISH FUNDS (33) Tr. 2pc IL 1992, Ex. 9¾pc 1998, Tr. 9½pc 1999, Tr. 10½pc 1999, Cv. 10¼pc 1999, Cv. 9pc 2000, Tr. 10pc 2001, Tr. 9¾pc 2002, Do. C, Tr. 10pc 2003, Tr. 11½pc '01-04, Fd. 3½pc '99-04, Cv. 9½pc 2004, Do. A, Cv. 9½pc 2005, Tr. 12½pc '03-05, Tr. 8pc '02-06, Tr. 8½pc 2007, Do. A, Tr. 13½pc '04-08, Tr. 9pc 2008, Tr. 8pc 2009, Cv. 9pc 2011, Do. B, Tr. 5½pc '08-12, Tr. 7¾pc '12-15, Ex. 12pc '13-17, Consols 4pc., Cv. 3½pc '61 Aft., Tr. 3pc '66 Aft., Tr. 2pc IL 2001, Tr. 2pc IL 2006, OTHER FIXED INTEREST (7) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, Hydro Quebec 15pc 2011, Intl-Amer. 12½pc 2003, Do. 9¼pc 2015, Manchester 11½pc 2007, Met. Water 3pc B, AMERICANS (2) Amdahl, Lowe's, BREWERS & DISTILLERS (2) Greene King, Mansfield, BUILDING MATERIALS (2) Haywood Williams, Do. Cv Prf., BUSINESS SERVICES (2) RCO, Serco, CHEMICALS (4) Cambridge Isotope, Hickson, Plysu, Schering, ELECTRICALS (1) Menvier-Swain, ELECTRONICS (4) Druck, Elect. Data Procg., Eurotherm, Siemens, ENGINEERING AEROSPACE (1) FR, ENGINEERING GENERAL (3) Fairey, Halma, Victaulic, FOOD MANUFACTURING (3) Cranswick, Dalepak, Northern Foods, HEALTH & HOUSEHOLD (3) Life Sciences, Seton Healthcare, UniChem, HOTELS & LEISURE (1) Stanley Leis., INVESTMENT TRUSTS (13) Baring Chrysalis, Do. Wrrnts., Fidelity Euro. Values Wrrnts., Gartmore Scot. Zero Prf., I & S Optimum Zero Prf., Independent Inv., River & Merc. Stepd. Prf., Scot. Cities, Scot. Value, Strata Inve., TR Tech. Zero Prf., Templeton Emrg. Mkts. Wrrnts., Do. 1pc Ln. 2001, MEDIA (4) Metro Radio, Midlands Radio, Reuters, Tyne Tees, MERCHANT BANKS (2) Warburg (SG), Do. 8pc Prf., MISCELLANEOUS (3) Alumasc, Le Creuset, MOTORS (3) Barr & WAT A, Central Motor Auctn., Cowie (T), OIL & GAS (1) HZ Oil & Gas, OTHER FINANCIAL (3) Aitken Hume, Baring Poma, Edinburgh Fund Managers, PROPERTY (3) Land Securities [illegible] 2030, TEXTILES [illegible]

NEW LOWS [illegible] BUILDING MATERIALS [illegible] Ward, CONTRACTING & CONSTRUCTION [illegible] A. [illegible] Laing (J). [illegible] ELECTRICALS [illegible] (2) P-E Inter [illegible] AEROSPACE [illegible] ENGINEERING [illegible] Ransomes [illegible] MANUFACTURING [illegible] (J), Northumbrian [illegible] Ashley, HOTELS & LEISURE [illegible] 8¾pc Prf., Savoy A, INVESTMENT TRUSTS (4) Contra-Cyclical Cap., Gartmore Scot. Units, Murray Split Cap. Units, North Amer. Gas, MISCELLANEOUS (1) Hawtal Whiting, OIL & GAS (3) Bow Valley, British Borneo, Oliver Res., PACKAGING, PAPER & PRINTING (1) Gibbon Lyons, PROPERTY (3) City Site Esta., McInerney, Merivale Moore, Prior, Safeland, STORES (1) Colorvision, MINES (2) AFMIN, Vlakfontein.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
Burton	2,400	[illegible]	+1
Cable & Wire.	1,900	[illegible]	-4
Cadbury Schweppes	1,200	[illegible]	+1
Calor Group	1,000	212	+11
Carlton Comms.	1,000	548	+3
Coats Viyella	405	182	
Comm. Union	455	483	+2
Lucas	[illegible]	[illegible]	[illegible]
Legal & General	[illegible]	394	+1
Lloyds Abbey	378	[illegible]	+5
Lloyds Bank	1,800	[illegible]	-5
LASMO	1,600	[illegible]	-3
London Elect.	327	[illegible]	-1
Lonrho	4,600	119	-1
Scottish & New.	1,100	[illegible]	-3
Scot. Hydro-Elect.	1,300	[illegible]	-½
Scottish Power	4,000	102½	-1½
Sears	2,900	[illegible]	+1
Sedgwick	1,900	321	+3
Seeboard	[illegible]	267	
Severn Trent Water	1,100	[illegible]	+3
Wessex Water	[illegible]	418	+4
Whitbread 'A'	1,400	464	
Williams Hldgs.	[illegible]	[illegible]	-3
Willis Corroon	1,100	[illegible]	+3
Wimpey	[illegible]	112½	+1½
Yorkshire Elect.	[illegible]	314	+1
Yorkshire Water	151	388	+9

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures traded in a tight range with dealers reporting a dull session enlivened by a squeeze towards the close, writes Joel Kibazo.

The March contract started reasonably with a premium of 26 reached soon after the opening. With little in the way of features, the market ran out of steam mid-morning and began to drift. Then, a rally was seen with the firm opening on Wall Street and the contract advanced steadily, leaving the underlying cash market behind.

An attempt by locals to close short positions in the last half hour of trading generated a squeeze in March but the retreat on Wall Street as London closed led to selling of the contract at the finish.

March closed at 2,583, down 6 on the previous day, and some 10 points above its estimated fair value premium to cash of 16. Volume, at 4,382, was poor.

Options traders reported a dull session on LTOM, where turnover reached 23,864 contracts. The FTSE-100 index option was busy, trading 5,830 lots.

BP was the busiest stock option. It traded 2,339 contracts with the July 280 puts the busiest series. This was followed by BT with a day's total of 1,842 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1991/92 High	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
2pc IL 1992‡‡	[illegible]	+⅛	[illegible]	129⅞	1.95	8.08
8pc 1992 ‡‡	[illegible]	—	[illegible]	[illegible]	[illegible]	10.25
10½pc Cv 1992‡‡	[illegible]	—	[illegible]	[illegible]	[illegible]	10.29
3pc 1992	[illegible]	—	[illegible]	91⅞	[illegible]	8.40
Exch 12¼pc 1992	101¼xd	—	[illegible]	100	12.16	10.08
13½pc 1992	102	—	[illegible]	101	[illegible]	9.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1991/92 High	1991/92 low	Yield Int.	Yield Red.
Exch 12pc 1998	111	+⅛	111	104	10.74	9.80
Treas 9½pc 1999‡‡	[illegible]	+⅛	[illegible]	92	9.41	9.30
Exch 12¼pc 1999	119	+⅛	119	105	10.88	9.61
Treas 10½pc 1999	[illegible]	+⅛	[illegible]	[illegible]	[illegible]	9.40
Conversion 10¼pc 1999	104	+⅛	104	[illegible]	[illegible]	9.49
9pc 2000‡‡	[illegible]	+⅛	[illegible]	[illegible]	9.17	9.31
Treas 13pc 2000	[illegible]	+⅛	[illegible]	110½	[illegible]	9.67
10pc 2001	[illegible]	+⅛	[illegible]	94	[illegible]	9.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Index – Linked	Notes	Price £	+ or -	1991/92 High	1991/92 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	[illegible]	+⅛	[illegible]	115	2.86	3.76
2pc '96	(67.9)	[illegible]	+⅛	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '01	(78.3)	[illegible]	+⅛	[illegible]	137	3.91	[illegible]
2½pc '03	(78.8)	141	+⅛	141	133	[illegible]	4.25
2pc '06	(69.5)	[illegible]	+⅛	[illegible]	135	[illegible]	4.29
2½pc '09	(78.8)	131	+⅛	131	124	4.11	4.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1991: 133.5 and for December 1991: 135.7.

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Helping to heal BUPA

The management renewal process at Bupa, Britain's biggest private health care organisation, has taken another step forward with the appointment of Roger Hymas as group marketing director.

Hymas was previously GE Capital Corporation's executive director retail financial services – Europe, and earlier in his career held posts with Burton Group, Welbeck Financial Services and American Express. As we reported earlier, David Stonehouse has been appointed to the job Hymas has vacated.

Britain's private health sector is currently under heavy financial and competitive pressures and marketing will play a central part in the strategy of Peter Jacobs, Bupa's chief executive, to strengthen the association's position. Bupa is widely-regarded as a generic term for private medicine in Britain, and Hymas will be responsible for extracting full benefit from the brand name.

In November, Jacobs announced a shake-up involving the departure of three senior executives. Since then, together with Edward Lea, group finance director, he has been building a new team which he hopes will give Bupa a sharper commercial edge.

Electricity shops around

The joint retailing venture between Eastern Electricity and Southern Electric which opens its doors on April 1 has hired 43-year-old Eamon Bradley, managing director of Swan National Motors, as its new chief executive.

His finance director will be Neal Gossage, 36, formerly chief accountant at Argos, and Malcolm Byrne, until now retailing business manager at Eastern, becomes director of marketing.

Byrne acknowledges the going will be tough – as underscored by Rumbelow's recent exodus from high street retailing. But he believes that by sharpening up the image, moving increasingly out of town and expanding in home leisure products, the privatised companies' merged resources can appeal to a younger and more up-market clientele. Speaking yesterday from a conference on compact disc interactive systems, he suggested that tuning into the next generation of consumer goods was one way to claim a leading position in electrical retailing.

■ Eastern Electricity has moved Bill Watson, engineering director since 1986, to the new position of business development director. Watson's old job goes to David Mee, who was previously area general manager for Thameside.

■ Neil McCrossan is promoted to sales director of EURODOLLAR UK.

■ TI has promoted Kenneth Templeton to the new position of finance director of Bundy International and Miles Vere-Hodge to the new position of finance director of John Crane International.

■ Nick Cannar, who specialised in intellectual property licensing while head of the legal department and company secretary of BAT, is moving to become a partner of Phillips & Buck, a member of the Eversheds national practice.

■ David Newcombe, formerly finance director, is appointed to chief executive of PHILIP HARRIS HOLDINGS.

■ Manfred Herwig has been appointed md of THERMOFIL POLYMERS (UK).

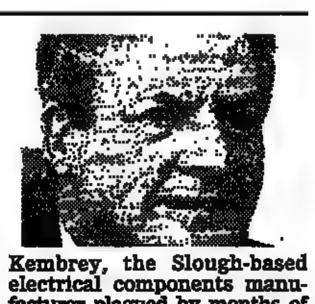
■ Christopher Smart is promoted to president and md of JETSAVE, in place of Ronald Blakey who becomes chairman.

■ Kevin Prichard is appointed md of LAB M, a subsidiary of Amersham International.

■ Stephen Greenwood, formerly finance director of TURRIFF, is appointed finance director of BIRMINGHAM INTERNATIONAL AIRPORT.

■ Richard Case will become md of WESTLAND HELICOPTERS in May following the retirement of John Varde at the end of April. Case joined Westland as an apprentice in 1961.

■ Karen Thomas is appointed property development director of the WELSH DEVELOPMENT AGENCY.



Kembrey, the Slough-based electrical components manufacturer plagued by months of boardroom acrimony, has looked outside its immediate circle of troubles by appointing David Burnet as the new non-executive chairman.

Burnet's name came up from the 3i panel for the promotion of independent directors. 3i, which has a considerable call for nominee directors in the course of its activities, is a shareholder in Kembrey.

Michael Cleary, back in the chief executive's seat after being ousted last December, says that an independent chairman acting as a cohesive force was necessary to convince institutional shareholders that Kembrey was back on course. Former chairman Bob Burns, who with Cleary owns 26 per cent of the company, remains a director.

Burnet, 64, an Australian, currently chairs two management buy-out companies, Testlink and CMR. He has had a fair amount of experience reorganising companies in difficulties, including Bardsey, the hand-tool distributor, of which he was non-executive chairman until 1990, the year in which it was acquired by the Beckenham Group.

OBITUARY

ANNOUNCEMENT

It is with deep regret that we have to announce that our European President Mr Kenneth James Bush suddenly passed away on January 30th, 1992 during a business trip to Germany. For the past three years, he made tireless efforts to strengthen our Company within the European market. The management and employees extend their gratitude for his contribution and personal involvement within our company. Our deepest sympathy is with Mrs Bush and the family at this time of great loss.

Management and Employees
YOKOGAWA UNITED KINGDOM LIMITED

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		35⅜xd	−1/16	38⅝	20⅞	15,044	1.8
♥Allegheny & W		326p	−3	385p	218p	169.4	5.2
Amdahl		1033pxd	+43	1033p	667p	1,146	0.5
Amer Cyanamid		33⅛	−½	42⅛	25⅛	3,089	2.5
Amer Express		12⅝xd	+⅜	17⅞	9⅞	6,792	4.6
Amer T & T		20½xd	−¼	24½	15¼	28,778	3.8
Ameritech		34½	−½	38⅞	32½	15,185	5.5
BankAmerica		21½xd	−⅜	28⅛	12⅞	4,874	3.4
Bankers NY		35¼xd	+⅛	38⅞	20¼	2,896	7.8
Bell Atlantic		26⅛xd	−⅛	30½	24¼	9,880	5.6
BellSouth		28⅞	−⅛	31¼	25	13,035	5.8
♥Bethlehem Steel		8¼xd	+⅛	11¼	6⅞	628.8	—
Bowater		1316p	−14	1639p	1042p	473.4	5.1
CPC		46⅞xd	+⅛	54⅞	37⅞	3,510	2.7
California Engy		897p	+21	930p	430p	128.8	—
Campbell Soup	h	22	+⅜	25	14⅛	5,530	1.8
Chase Manhattan		11½xd	+⅛	12¾	5⅞	1,583	5.9
Chrysler		8⅞xd	+⅛	9⅞	5⅜	2,419	4.0
Citicorp		8⅞xd	—	16⅛	4⅝	2,878	—
Colgate-Palm		28⅛xd	−⅛	27⅝	21⅞	3,799	2.3
Cont'l Bank		721p	+3	928p	438p	728.6	6.2
Dana		18⅞xd	−⅛	21⅝	13⅝	698.2	5.3
Data General		638p	−4	1282p	203p	176.0	—
Dial		27¼xd	+¼	27⅞	12⅞	1,081	2.9
Dun & Brad		30	−¼	31⅝	20⅝	5,353	4.1
Eaton		37¾	+¼	40	24¼	1,285	3.3
Echlin		8⅝xd	−⅛	8⅞	5½	467.7	4.7
FPL		19⅞xd	−⅛	20⅛	14⅞	3,231	7.1
Fluor		25⅞xd	−⅛	38⅞	17⅞	2,638	0.9
Ford Motor		18¼xd	+1⅛	23¼	13	8,639	3.1
Gen Elect		42⅞xd	+⅜	46⅞	28⅞	36,887	2.8
♥General Host		606p	+4	550p	270p	—	4.0
Gillette		28¼xd	−⅛	45¾	20⅞	6,177	1.2
Hasbro		22¼	+¼	24	7⅞	1,278	0.8
Honeywell		49⅞xd	−⅛	49¾	21¾	2,828	2.3
Houston Inds		23⅞	−⅛	24⅜	17⅞	2,077	7.0
IBM		50⅞xd	+⅝	72⅞	46	29,107	5.4
Ingersoll-Rand		32¼xd	−⅛	33⅞	18⅞	1,872	2.3
Lockheed		23xd	−⅛	28⅛	16⅜	1,456	4.9
Lowe's		2337p	+90	2337p	1245p	850.9	1.3
Merrill Lynch		30⅞xd	−1	39⅞	10⅞	3,176	1.8
Morgan (JP)		33¾xd	—	38¼	21⅞	6,374	3.6
Morris (Philip)		42⅝xd	—	44⅝	25⅞	39,463	2.8
NYNEX		41¾	−⅛	46¾	39	8,488	6.1
♥Pac Agric		28p	—	89p	15p	—	—
Pall		16¼	—	17⅞	10⅞	1,428	1.2
Pennzoil		29⅛xd	−⅛	46⅛	28⅛	1,177	5.8
Quaker Oats		36⅛	−⅛	48⅞	24⅞	2,781	2.7
Rockwell		15⅜xd	−⅛	17⅜	12⅛	3,508	3.4
Rep NY		23⅞	−⅛	27⅞	16⅞	1,213	2.4
Sears, Roebuck		22⅞xd	−⅛	25⅞	12⅞	7,720	6.0
Sthwestern Bell		33⅜xd	−⅛	35⅞	25⅝	10,087	4.8
Sun Co		15⅞xd	+⅛	20¼	14⅛	1,676	6.5
Tenneco		19½xd	−⅛	27⅛	14⅞	2,367	4.6
Texaco		33⅛xd	−⅛	40½	29⅞	8,651	5.4
Texas Instr		19½xd	−⅛	28⅛	14⅛	1,598	0.6
Time Warner		49⅞xd	+⅛	64½	37⅞	4,605	1.1
TRINOVA		12⅝xd	+⅛	16⅝	8⅞	356.3	3.0
♥Unilab		587p	—	587p	250p	545.2	—
Utd Tech		28⅞xd	−⅛	31½	22⅞	3,428	3.6
♥Utilitech		101p	—	101p	42p	—	—
US West		20	−⅛	23	18¼	8,170	5.9
Varity		815p	−33	1419p	578p	204.1	—
Waste Manage		25⅛xd	−⅛	25⅞	16⅝	11,878	1.0
Whirlpool		2306p	−34	2459p	1053p	1,605	2.7
♥Woolworth		16⅞	+⅛	20⅞	12¼	1,201	3.6

CANADIANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
♥Abbet Energy		1⅞p	—	11p	1¼p	—	—
Amer Barrick		1523p	—	1642p	853p	2,860	0.3
Bk Montreal		21⅜	—	23¼	13	2,561	5.4
Bk Nova Scot		1036pxd	−4	1170p	638p	2,083	4.5
♥BC Gas		832p	—	878p	690p	—	3.9
BCE		23⅛	—	24½	17¾	7,188	6.7
♥Brascan		812p	−9	1050p	647p	762.1	6.2
♥Breakwater		16½p	+1⅛	30p	6p	9.88	—

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991/92 High	Low	Yld Gr's	NAV	Dis or Pm(-)
■Scot National Inc.		108½	—	116	97	11.6	—	—
■ Cap.		37	—	68	31	—	30.4	-21.6
Stepped Pf.		132¾	—	132¾	113	5.3	—	—
Zero Div Pf.		171	-½	171½	141	—	—	—
Warrants		8½	—	19	8	—	—	—
Scot Value		53½	+½	53½	46¼	3.1	53.4	0.8
Sec Alliance		1193	-2	1285	882	3.9	1351.7	11.7
Second Market		224	—	238	199	[illegible]	[illegible]	[illegible]
■Sec Tst Scot.	†	68½	-½	78	57½	6.0	72.0	4.8
Select Assets		100	+½	102	71	1.2	132.4	24.5
Eq Ind SerI		113	—	121	89	5.1	—	—
Eq Ind SerII		113	—	121	89	5.1	—	—
Shires	†	226	—	288	191	10.5	221.1	-2.2
11pc Cv Ln '03/04		£118½	—	£120½	£97½	10.0	—	—
Slaro Select		91	—	98	78	1.5	95.7	4.9
Warrants		20	—	31	19	—	—	—
■Smaller Cos.		67	—	93	60	1.4	82.7	19.0
Warrants		13	—	25	8	—	—	—
■Sphere Inc.		17½xd	—	33	17½	20.5	22.8	23.1
Zero Div Pf.		58½	—	60¾	50¾	—	—	—
Warrants		1½	—	9½	1½	—	—	—
Strata		158	+1	160	104	1.2	187.3	15.6
Stratton		153	—	160	120	1.6	185.2	17.3
Sumit	‡	69	-1	110	50	[illegible]	100.9	[illegible]
■TR City of Lon		108xd	-½	121¼	90	5.5	112.6	4.0
■TR Euro Growth	s	88	+1	104	78	1.8	98.2	11.4
Ptg Sub.	s	53	—	58	40	2.5	—	—
■TR Far East Inc.		88	—	94	56	8.6	98.7	12.8
Warrants		15	—	28	12	—	—	—
TR High Inc.	H	90	—	115	85	8.2	86.8	-4.3
Sub.	g	30	—	38	24	6.1	—	—
■TR Pacific		82	—	92	49	0.4	89.9	8.8
■TR Prop.		28	—	37	24	7.7	38.0	20.5
■TR Smaller		135	—	155	98	3.7	146.4	7.8
■TR Technology	M	38	—	52	20	6.8	125.2	71.3
Stepped Pf.		91½	-½	94½	70½	8.0	—	—

MERCHANT BANKS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

METALS & METAL FORMING

MISCELLANEOUS

PROPERTY

TELEPHONE NETWORKS

TEXTILES

OTHER FINANCIAL

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MEDIA

MOTORS

OTHER INDUSTRIAL MATERIALS

STORES

MINES

PACKAGING, PAPER & PRINTING

MERCHANT BANKS

OIL & GAS

MINES - Cont.

‡‡Ovenia West IS		49	—	61	30	18.6	—
‡‡Kells Minis IS		41	—	48	33	9.98	—
‡Kenmare		6¼	—	28	3½	[illegible]	—
‡‡Navan Res IS		23	—	35	15	3.88	—
Northgate Expl C$	s	49	—	88	36½	5.65	—
North West Expl A$		8	—	18	8	2.82	—
Oryx Gold S		98	—	108	82	—	—
‡‡Ovoca Gold IS		18	—	28	8	0.78	—
Plateau		12	—	44	11	5.48	—
■RTZ		563	+6	665	404	5,225	5.0
♥Thorco Res		6¼	—	11	3¼	—	—
‡Vizcaya		2	—	10	2	1.07	—
♥Western & Pac C$		16	+1¼	182	7	0.78	—
‡Young Grp		109	—	130	109	10.2	6.4

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock."
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Init Charge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's

Abbey Unit Tst Mngrs (1600)H

[illegible]

Aberforth Unit Trust Managers Ltd (1600)F

[illegible]

Abtrust Unit Trust Managers Ltd (1200)H

[illegible]

Britannia Life Unit Managers Ltd (1200)F

190 West George St, Glasgow

[illegible]

Brown Shipley & Co Ltd (1000)F

[illegible]

Brycourt Unit Tst Mgmt Ltd (1400)F

[illegible]

Buckmaster Mangmt Co Ltd (1200)H

[illegible]

Manulife Management Ltd (1200)F

[illegible]

National Provident Inv Mgrs Ltd (1400)H

[illegible]

MW Investment Managers Ltd

[illegible]

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.44	50 44	50 94	+0.01	10 6
Gtrfld Primrose	5½	48.19	48.50xd	51.73	-0.01	10 6
Ethical	5½	47.83	48.78	51.89	-0.08	9 04
European Growth	5½	47.72	47.95	51.12	-0.12	4.90
Income	5½	45.51	46.04	49.11	-0.04	3.0
Intl Growth	5½	65.95	65.98	70.38	-0.28	8.00
Managed	5½	58.23	58.58	62.48	-0.23	3 12
UK Growth	5½	48.92	49.57xd	52.87	-0.34	4.51
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	196.0	198.2xd	206.4	+1	3 04
Do Income	3	185 4	185 4xd	193 1	+0.9	3 04
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	36.22	36.22	38.49	-0.2	2.41
UK Equity Gth Acc	5¼	49.57	50.54	53.70	-0.3	2 05
UK Eq High Inc Inc	5¼	28 66	29 36	31.20	-0.3	6 44
UK Eq High Inc Acc	5¼	32.22	33.01	35 08	-0.3	6 44
UK Equity Gen Acc	5¼	46.10	46.88	49 82	-0.2	3.43
UK Equity Gen Inc	5¼	36.07	36 68	38 98	-0.2	3 43
UK Larger Cos Acc F	7½	304.8	308 9	335 2	-1.5	4.61
UK Larger Cos Inc F	7½	245.4	248.7	269.9	-1.2	4.61
Gilt & Fxd Int Inc	5¼	28 19	28.26	29.69		7.45
Pstal Larg Cos Acc F	7½	211 6	215 1	233 4	-1 1	2 08
Nth American Acc	5¼	35.58	35.72	37 96	-0.2	0.76
Far East Acc	5¼	40.00	41 06	43.61	-0.2	0.07
European Acc	5¼	34.48	35.80	38.04	-0.1	1.64
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	292.4	292.4	312.5	-1 6	0.74
(Accum Units) ♥	5	344 2	344.2	367.6	-1.9	0.74
British	5	803.7	816 7	864.0	+2.3	6 00
(Accum Units)	5	1320.5	1341 8	1419 6	+3 8	6 00
European	5	327.3	327.3	348 0	-0.2	1.44
(Accum Units)	5	354 8	354.8	377.2	-0.2	1.44
Japan	5	108.9	108 9	115 9	-0 4	-
(Accum Units)	5	109.8	109.8	116.8	-0 4	-
New Pacific	5	183 9	183.9	196 0	-0.8	1 77
(Accum Units)	5	188 9	188 9	201.3	-0.8	1 77
PEP Feb 3	5	146 6	150 1	158 8		3.54
Mngd Equity	5	124.9	126.1	133 4	+0.2	3 40
Mngd Equity Acc	5	132.5	135 8	141 5	+0 2	3.40
Mngd Cash	0	96 08	96 08	96.08	+0.03	10.29
(Accum Units)	0	118 5	118.5	118.5	+0.1	10.29
Majority Stlg	1	100.11	100.11	101.11	+0.02	10.19
Majority Stlg Acc	1	109.02	109 02	110.11	+0 02	10.19
Storebrand Intl Inv Mngrs Ltd (1200)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Jan 16	495 45	499 11	----	2 83
Gross Jan 16	170.31	171.68xd	----	11.36
High Yield Jan 16	280.23	282.47	----	7 79
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	53.02	54.13	-0.02	3.87
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1172.0	1267.0xd	----	-
Mngd Pens (Acc)	66.6	71.0	----	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440 0	2680 0	-	7.00
Inc Gth Prp Jul 31	£1375 0	1460 0	--	8 90
Lazard Investors Ltd **				
Exempt Funds				
Small Co's Jan 31	£3800.1	4058.9	----	3.91
European Jan 31	£560 1	574.3	---	1.53
American Jan 31	£362.6	366	----	2.22
Japan Jan 31	£475.9	481.3	----	1.36
Pacific Jan 31	£142.3	146.2	----	1.89
W Midlands Sep 30	£136 50	152.30	--	2 48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Dec 31	196 75	200.75	----	7.88
Equity Dec 31	645 45	657 30	--	3.99
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Feb 3		105.24xd	+0.2	10.44
(Accum Units)		625.17	+1 4	10.44
NAACIF Jan 28		41.01	----	4.57
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity 1 Feb 4	127.9	137.7	----	1.97
UK Small Co r Feb 4	520.6	570.8	+1.3	3.50
Fixed Interest 1 Feb 4	111.4	117.1	-0.1	8.56
US Small Co Feb 4	176 8	189.0	-0.2	0 00
Managed Feb 4	108.7	116.4	----	3 40
Intl Bond Feb 4	121.4	128.1	-0.1	10.02
Japan Feb 4	70.62	75.31	+0 09	3.90
European Feb 4	89.84	96.31	+0.33	1.77
Nth American Feb 4	119.2	128.2	-0.3	1 25
Murray Johnstone UT Mngmt				

INSURANCES

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Guardian Royal Exchange				
Royal Exchange, EC3 071-283 7101				
Guardian Assurance				
Property Bonds	651.3	678 4	----	-
Pens Wth-Pft Lg-Inc	133 9	140 9	----	-
Pens Wth-Pft St-Inc	125.3	131.9	+0.1	-
Pens Managed	156 2	164 4	-0.3	-
Pens Equity	159 9	168.3	+0.2	-
Pens Wth Pft Lng-Inc	108 6	114 4	+0 1	-
Pens Wth Pft Shrt-Inc	107 6	113.2	----	-
Freedom Managed	93.3	98.2	-0.5	-
Freedom Equity	89.3	94.0	-0.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General — Contd.				
Unit Pensions				
Kingswood, Surrey KT20 6TN 0737 370370				
Ex Bldg Soc Cash	161.4	170 5	----	-
Do Accum	206 8	217 7	-	-
Exempt Cash Init	286.5	301.6	+0.1	-
Do. Accum	462 1	486 5	+0 1	-
Exempt Eqty. Init	857 9	903.1	+1 5	-
Do Accum	1383 7	1456 6	+1 7	-
Exempt Euro Init	156.3	164 6	-0.5	-
Do Accum	193 8	204 0	-0 8	-
Exempt Far East'n Init	204.1	214 9	-0 8	-

	Bid Price	Offer Price	+ or -	Yield Gross
Manulife Group				
St George's Way, Stevenage Enquiries 0438 356101				
Managed Ser 1 & 2	530 0	557 9	--	-
Managed Ser 3	97 0	102 1		-
Property Ser 1 & 2	455 9	479 9		-
Property Ser 3	86 9	91 5	+0 1	-
Equity Ser 1 & 2	648 6	682.7		-
Equity Ser 3	99 5	104 7	..	-
Gilt Edged Ser 1 & 2	478.6	503 8		-
Gilt Edged Ser 3	116 4	122.5	+0.1	-
Deposit Ser 1 & 2	291 7	307 0		-
Deposit Ser 3	117.3	123.5	.	-

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	110.4	116.2	-	-
Pension Managed Fd	109.1	114.8	-	-
Life Deposit Fd	112.3	118.2	-	-
Pension Deposit Fd	119.8	126.1	-	-

For National Fin see Target Life

	Bid Price	Offer Price	+ or -	Yield Gross
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	173.1	182.3	-	-
UK Equity	182.4	192.0	-	-
Overseas Equity	140.0	147.4	-	-
Fixed Interest	160.9	169.4	-	-
Property	131.2	138.2	-	-
Index Linked	154.4	162.6	-	-
Deposit	167.2	176.0	-	-
With Profits (B)	136.7	144.0	-	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	357.2	376.1	-0.6	-
UK Equity	448.8	472.5	-	-
Overseas Eq	341.9	359.9	-1.8	-
Americas	293.5	309.0	-2.9	-
Far East	355.3	374.0	-1.8	-
Property	194.6	204.9	-0.2	-
Fixed Int	279.6	294.4	+0.1	-
Indexed Gilt	164.0	172.7	+0.1	-
Deposit	190.8	200.9	-	-
With Profit	107.1	112.7	-	-
Pension Fund (Accum Units)				
Managed	515.7	542.9	-0.7	-
UK Equity	603.5	635.3	+0.3	-
Overseas Eq	582.3	613.0	-2.7	-
Americas	380.4	400.5	-3.8	-
Far East	592.8	624.1	-2.1	-
Property	249.5	262.7	-0.2	-
Fixed Int	350.4	368.9	+0.3	-
Indexed Gilt	178.8	188.3	+0.2	-
Deposit	271.5	285.8	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	1126.7	1146.8	-	-

Prices February 3 Next dealing March 2

	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 140, Norwich NR3 1PP 0603 622200				
NUAM Funds				
Managed Fund	73.3	77.1	-0.1	-
Stock Market Mngd Fund	72.5	76.3	-0.1	-
Equity Fund	81.0	85.2	-0.1	-
International Fund	63.5	66.9	-0.2	-
European Fund	64.7	68.1	-0.2	-
North American Fund	73.2	77.1	-	-
Pacific Fund	69.5	73.1	+0.4	-
Property Fund	77.2	81.2	-	-
Fixed Interest Fund	63.8	67.2	+0.1	-
Index linked Sec Fund	64.0	67.4	-	-
Deposit Fund	73.1	77.0	-	-
NUAM Retirement Plans				
Mixed Fund	81.6	85.9	-0.1	-
UK Ordinary Share Fd	94.9	99.9	-0.1	-
International Fund	67.9	71.4	-0.3	-
Property Fund	84.4	88.8	-	-
Fixed Interest Fund	79.1	83.2	+0.1	-
Index Linked Sec Fund	68.5	72.1	+0.1	-
Deposit Fund	88.0	92.7	-	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$15 96	16 76	-0.14	2.02
Japan Tech.	$55 99	58.79	-0.05	0.00
Japan Fund	$24 00	25.25	-0 09	0 00
Japan New Gartn Fd.	$18.32	19.24	-0.12	0.00
Malay Sing	$59.50	62.48	+0 05	0 00
Nth American	$24.45	25 68	+0 16	0 00
Octopus Fund	$24 45	25.66	+0 01	0.53
Pacific Fd	$64.36	67.58	-0 20	0.97
International Bond	$17.56	18.44	-0 03	7 61
Europa Fund	$13 93	14.63	+0 03	0.75
Britain Screen Fd.	10 88	0.93	+0 01	1.72
Tristar Warrant	$12.53	13 16	...	0.00
Hong Kong	$57.48	60.36	+0 06	1.20
Magd Portfolio (Stlg)	£4.14	4 46	(z)	0.00
Magd Portfolio (Dlr)	$10.80	11.40	(z)	0.00
Currency Fd–Sterling	£20 03		+0.01	9.66
Currency Fd–US Dollar	$15.58		----	4 68
Curr Fd–Deutschemark	DM41.46		+0.01	7.95
Curr Fd–Managed $	$46.25	48.56	+0.02	4 99

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Institutional Srv Series*	$1 00		(z)	3.85
Investment Series*	$1.00		(z)	3 75
Investment Gth Series	$100 08		(z)	4.15

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661561

TSB Trust Funds–Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5	146.00	146.00	158.14	+0.38	0.87
International Equity	5	122.74	122.74	131.28		0.00
Far Eastern	5	92.06	92.06	98.60	-0.37	0.00
European	5	85 87	85 87	91.00	-0.19	0.00
Pan American	5	174.14	174 14	185.22		0.00

TSB Gilt Fund Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Quarterly Share	3	98.55	98.55	101.84	+0.06	9.82
Monthly Share	3	97.25	97.25	100 48		9.95

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling	£21.81		----	9.7
US Dollar	$31.71		----	3.1
Deutschemark	DM56.34		----	8.3
Yen	Y4,094		----	4.0
Managed Multicurrency	£13.30	13.77	----	-
Managed Multicurrency	$25.45	26.35	----	-
Bond Funds				
Sterling Bond	£0 421	0.437	----	10.6
US Government Income	$99.94	103.49	----	6.7
Asian Selection Funds				
Hong Kong	$15.096	15 892	(z)	3.0
Indonesia	$8.291	8.727	(z)	2.5
Korea	$10.166	10.701	(z)	2.5
Malaysia	$10.384	10.930	(z)	0.5
Philippines	$12.462	13.118	(z)	2.5
Singapore	$12.155	12.795	(z)	1.0
Thailand	$13.192	13.886	(z)	2.5
South East Asia	$12.737	13 407	(z)	3.0
US Dollar Liquidity	$9 627	10.108	(z)	3.4

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark rises on pay accord

THE D-MARK led the way in Europe, as the consequences of the 6.4 per cent pay settlement with German steel workers began to filter through to the foreign exchange markets.

Some economists feared that the 6.4 per cent mark would be used as a basis for the next round of pay talks, due to begin this week. Such a move would eliminate any remaining hopes for an easing of German monetary policy. "People are changing their minds about the course of German rates," said Dr Mark Austin, an economist with HongKong Bank.

The D-Mark strengthened against the lira – rising from 751.40/60 lire to 751.73/83 – and the peseta, increasing from 62.89/92 to 62.99/02.

The German currency also took some heart from a weaker dollar as mixed comments from Mr Alan Greenspan, the Federal Reserve chairman, did little to encourage investors. Mr Greenspan said that he felt current easing was enough to turn the US economy around, but added that recent economic performance had been disappointing.

Traders said the dollar had not yet shown the effects of the consistently disappointing US data, and added that it could be set for a sharp fall. However, most dealers were prepared to hold on for Friday's employment data, perceived to be the first real economic indicator of the year. Trading was expected to remain in fairly narrow bands.

The dollar softened in London from DM1.5975 to close at DM1.5920 and opened in New York at DM1.5965/70.

The yen was not immune to the D-Mark's strength, despite speculation that the G7 had informally agreed to keep Japan's currency strong. The yen was trading at 79.33/38 per D-Mark in New York, compared with the 77.30 range at the end of last week.

"That's quite a sharp move in a generally quiet market," said one trader. "Maybe it is time to think about Bank of Japan intervention."

Sterling followed the dollar's drift during the day, partly because of political uncertainty.

The speculation over a date for the general election was damping any potential buoyancy in sterling. "If we didn't have the political uncertainty," said Mr David Cocker of Chemical Bank, "we could have had investors buying the pound." In the end, sterling rallied to close unchanged at DM2.8675 in London.

Within the European Monetary System, the D-Mark finished at 38 per cent of its allowed swing above the central Ecu rate. Sterling lay firmly locked at the bottom of the grid, while Spain's high interest rates held the peseta steady at the top.

However, the Spanish currency was close to its ceiling of 6.18 per cent above the central rate, at 6.09 per cent.

Some traders suggested that speculation on a revaluation within the EMS would return as it appeared more likely that German rates would remain high.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.644	-3.73	6.07	64
Belgian Franc	42.4032	42.0640	-0.80	2.93	38
Dutch Guilder	2.31643	2.29968	-0.72	2.85	34
D-Mark	2.05586	2.04257	-0.65	2.77	40
Irish Punt	0.767417	0.765572	-0.24	2.35	10
Italian Lira	1538.24	1536.41	-0.12	2.23	5
French Franc	6.89509	6.96087	0.95	1.14	-34
Danish Krone	7.84195	7.91816	0.97	1.13	-45
Sterling	0.696904	0.711596	2.11	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.4	Close	Previous Close
£ Spot	1.8015-1.8025	1.7960-1.7970
1 month	0.94-0.92pm	0.94-0.92pm
3 months	2.83-2.80pm	2.81-2.78pm
12 months	9.55-9.45pm	9.40-9.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.4	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Feb 4	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Feb 4	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Feb 4	£	$
[illegible]	[illegible]	[illegible]
Brazil	2404.15 - 3405.85	1333.50 - 1333.70
Finland	7.8005 - 7.8225	4.3415 - 4.3445
Greece	328.700 - 333.950	183.150 - 186.060
Hong Kong	13.9565 - 13.9770	7.7540 - 7.7570
Iran	2534.00*	1420.00*
Korea(Sth)	1350.20 - 1371.95	757.00 - 766.00
Kuwait	0.52525 - 0.52630	0.29140 - 0.29190
Luxembourg	59.10 - 59.20	32.80 - 32.90
Malaysia	4.7030 - 4.7230	2.6140 - 2.6170
Mexico	5444.75 - 5456.80	3064.50 - 3065.50
N.Zealand	3.3195 - 3.3240	1.8425 - 1.8450
Saudi Ar.	6.7475 - 6.7605	3.7495 - 3.7505
Singapore	2.9185 - 2.9295	1.6240 - 1.6270
S.Af (Cm)	5.0065 - 5.0275	2.7815 - 2.7845
S.Af (Fn)	5.9760 - 6.0250	3.3095 - 3.3445
Taiwan	44.95 - 45.10	24.95 - 25.00
U.A.E.	6.6005 - 6.6225	3.6715 - 3.6735

*Floating rate. Iran Official rate:£116.4 $65.8

POUND SPOT - FORWARD AGAINST THE POUND

Feb 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7935 - 1.8050	1.8000 - 1.8010	0.94-0.92cpm	6.2	2.81-2.78pm	6.21
Canada	2.1085 - 2.1280	2.1265 - 2.1275	0.63-0.54cpm	3.30	1.85-1.74pm	3.38
Netherlands	3.2225 - 3.2370	3.2225 - 3.2325	[illegible]	0.93	[illegible]	0.77
Belgium	58.90 - 59.25	59.10 - 59.20	6-1cpm	0.71	17-12pm	0.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Feb 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼ - 10⅛	10¼ - 10⅛	10[illegible] - 10[illegible]	10[illegible] - 10[illegible]	10[illegible] - 10[illegible]	10[illegible] - 10[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	7 - 6¾	7 - 6¾	[illegible]
Dutch Guilder	9¾ - 9⅝	9¾ - 9⅝	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	7¼ - 7	7¼ - 7	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	10⅛ - 10	10⅛ - 10	10⅛ - 10	10⅛ - 10	10 - 9⅞	[illegible]
Italian Lira	12 - 10	12½ - 11½	12½ - 11½	12 - 11½	[illegible]	12 - 11½
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	[illegible]	10 - 9¾
Asian $Sing.	3 - 2¾	3½ - 3¼	3½ - 3¼	3½ - 3¼	3½ - 3¼	3½ - 3¼

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6[illegible]-6[illegible] per cent; four years 6[illegible]-6[illegible] per cent; five years 7[illegible]-7[illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.801	2.868	227.0	9.773	2.558	3.238	2156	2.127	59.15	1.405
$	0.555	1	1.592	126.0	5.426	1.420	1.792	1197	1.181	32.84	0.780
DM	0.349	0.628	1	79.15	3.408	0.892	1.126	751.7	0.742	20.62	0.490
YEN	4.405	7.934	12.63	1000.	43.05	11.27	14.22	9498	9.370	260.6	6.189
F Fr.	1.023	1.843	2.935	232.3	10.	2.617	3.303	2206	2.176	60.52	1.438
S Fr.	0.391	0.704	1.121	88.74	3.821	1	1.262	842.8	0.832	23.12	0.549
N Fl.	0.310	0.558	0.888	70.32	3.028	0.792	1	667.9	0.659	18.32	0.435
Lira	0.464	0.835	1.330	105.3	4.533	1.186	1.497	1000.	0.987	27.44	0.652
C$	0.470	0.847	1.348	106.7	4.595	1.203	1.518	1014	1	27.81	0.661
B Fr.	1.691	3.045	4.849	383.8	16.52	4.325	5.457	3645	3.596	100.	2.375
Ecu	0.712	1.282	2.041	161.6	6.956	1.821	2.298	1535	1.514	42.10	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; FT-SE 100 INDEX

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE EUROTRACK 100 INDEX

	Close	High	Low	Prev.
Mar	1160.0			1160.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); BRITISH POUND (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS: 7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF); ECU BOND (MATIF)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	-	-	-	0.05	-	-
107	-	-	-	0.11	0.27	-
108	0.62	-	-	0.34	0.49	-
109	0.19	1.37	-	0.89	0.78	1.15
110	0.04	0.84	-	-	1.27	-
111	-	0.49	-	-	-	-
112	-	0.26	-	-	-	-
113	-	0.13	-	-	-	-
Open int.	118,992	45,108	8,017	110,654	38,221	2,300

Estimated volume 34,653 Total Open Interest 322,892

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8005	1.7912	1.7726	1.7477	1.7067

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

Overnight rates rise

TIGHTER conditions returned to the UK money markets yesterday, forcing overnight rates as high as 12.5 per cent at one stage.

"There's not much to invest in at the short end of the market," said one senior dealer.

The overnight rate drifted back down by the end of the day to finish at 10¾-⅝. One-month and two-month interbank rates were unchanged at 10[illegible]-⅝, while the key three-month rate was a touch lower at 10[illegible]-[illegible]. March short sterling fell to 89.59, from Monday's close of 89.68.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

The Bank of England initially forecast a shortage of £1.05bn, which was twice revised to finish as high as £1.25bn.

The main drain on liquidity was exchequer transactions which took £560m out of the market. Treasury bills and maturing assistance drained a further £538m and bankers' balances below target called for £65m. The decline in note circulation added back £100m.

In an early round of assistance, the Bank offered a bills totalling £201m, for resale to the market on February 21 at a rate of 10[illegible] per cent. Further operations saw another repurchase for the same date totalling £101m, also at 10[illegible] per cent.

The bank stepped in during the afternoon with an injection of £395m, through the purchase of Band One and Band Two bank bills at 10⅜ per cent. Late assistance provided £345m.

The German money market was also tight yesterday in advance of the Bundesbank's expected repurchase today. The central bank may increase the one-month repo rate to lodge a protest against this week's 6.4 per cent pay settlement with German steel workers. Recent one month repos have been about 9.4 per cent.

German overnight rates were little changed on Monday, trading at 9.65/70 per cent.

Economists in the UK said that the German wage settlement dampened hopes for a rate cut in the UK. However, a rate cut was not seen to be as politically crucial as it had been, following the reduction in mortgage rates.

"Politically it would not gain them that much," said Dr Mark Austin, an economist with the HongKong Bank, "and it contains the risk that sterling might fall."

In the US, federal funds traded at 3⅞ per cent during the day, compared with 4 per cent on Monday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.4) 3 months US dollars		6 months US Dollars	
bid 4[illegible]	offer 4[illegible]	bid 4¼	offer 4[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	6½	One month	3.88	Three year	5.58
Broker loan rate	6	Two month	3.91	Five year	6.45
Fed. funds	3¾	Three month	3.94	Seven year	6.89
Fed.funds at intervention	-	Six month	4.05	10-year	7.2[illegible]
		One year	4.19	30-year	7.76
		Two year	5.11		

Feb.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.50-9.60	9.45-9.55	9.45-9.55	9.40-9.50	9.75
Paris	10-10¼	9[illegible]-10[illegible]	9[illegible]-10[illegible]	9[illegible]-10[illegible]	9[illegible]-9[illegible]	9.60
Zurich	6⅞-7¼	7¼-7½	-	7¼-7½	-	-
Amsterdam	9.43-9.56	9.50-9.60	-	9.50-9.60	-	-
Tokyo	5[illegible]-5⅝	5½-5[illegible]	-	5[illegible]-5[illegible]	-	-
Milan	11⅞-12¼	12[illegible]-12⅝	-	12[illegible]-12¼	-	-
Brussels	9.50-9.63	9[illegible]-9⅝	-	9[illegible]-9[illegible]	-	-
Dublin	10[illegible]-10[illegible]	10[illegible]-10[illegible]	10½-10⅝	10½-10⅝	10⅜-10½	-

LONDON MONEY RATES

Feb 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12½	10¾	10[illegible]	10⅝	10[illegible]	10¾
Interbank Bid	10⅜	10½	10[illegible]	10½	10[illegible]	10[illegible]
Sterling CDs	-	-	10[illegible]	10[illegible]	10[illegible]	10[illegible]
Local Authority Deps.	10[illegible]	10¾	10[illegible]	10[illegible]	10[illegible]	10[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10⅝	-	-	-	-
Company Deposits	-	-	10¾	10¾	10½	10[illegible]
Finance House Deposits	-	-	10⅝	10[illegible]	10⅝	10[illegible]
Treasury Bills (Buy)	-	-	10¼	9[illegible]	9⅝	-
Bank Bills (Buy)	-	-	10¼	10	9[illegible]	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.10	4.10	4.17	4.55
SDR Linked Dep. Offer	-	-	6¾	6¾	6[illegible]	6[illegible]
SDR Linked Dep. Bid	-	-	6½	6½	6[illegible]	6[illegible]
ECU Linked Dep. Offer	-	-	10[illegible]	10[illegible]	10[illegible]	10[illegible]
ECU Linked Dep. Bid	-	-	10[illegible]	10[illegible]	10[illegible]	9[illegible]

Treasury Bills (sell): one-month 10⅛ per cent; three months 9[illegible] per cent; six months 9½ per cent; Bank Bills (sell): one-month 10[illegible] per cent; three months 9[illegible] per cent; Treasury Bills: Average tender rate of discount 9.8765 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1992. Agreed rates for period Feb.26, 1992 to March 24, 1992. Scheme I: 11.75 p.c., Schemes II & III: 12.01 p.c. Reference rate for period Jan 1,1992 to January 31, 1992. Scheme IV&V: 10.713 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from February 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

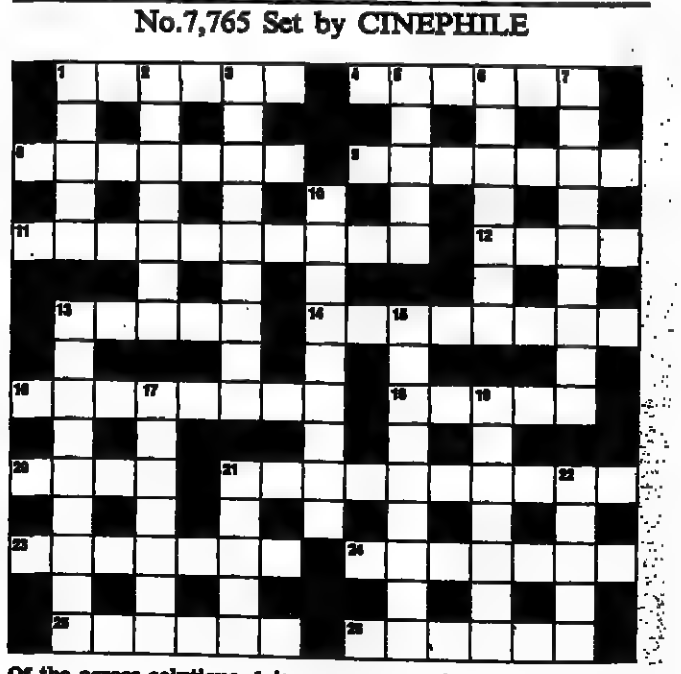
Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,765 Set by CINEPHILE



Of the across solutions, 1 is an anagram of 26, 4 of 25, 8 of 24 and so on.

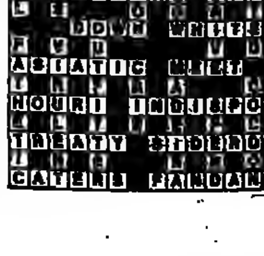
ACROSS

1 Boy model chasing birds (6)
4 Predicament? Economise (6)
8 Ancestry of gold is without spirit (7)
9 Subtitle for legend (7)
11 Make music about madman that's destructive (10)
12 God of square measures (4)
13 Old shield for sailor and Mother (5)
14 Roost for partridge and alligator? (4,4)
16 Fabric absorber in firearm (8)
18 Famous engineer in firearm (5)
20 Brand of catch in firearm (4)
21 Correct what's correct about article in firearm (10)
23 Ottawa chief inclined to panic (7)
24 Token or start of Italian gentlemen (7)
25 Defensive part with points to criticise (6)
26 Don't like being dispatched again (6)

DOWN

1 The world of the fox? (5)
2 List information coming up from computer circuit (7)
3 Least sham after time off (9)
5 Noise of tribe with Greek leader (5)
6 A pamphlet that's heard to have influence (7)
7 Running away from one temple? (9)
10 Truck on a railway in Ireland (9)
13 The decider or point meant by a dotty triangle (9)
15 One in authority in London in seedy plant to make one of us? (9)
17 Unreliable boy entertaining traitor (7)
19 Increase amount of maintenance outside harbour (7)
21 Step attaining title without acknowledgment (5)
22 Bird's apology for losing head? (5)

Solution to Puzzle No.7,764



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb 4	Feb 3	Jan 31	Jan 30	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3272.81	3234.12	3223.39	3244.86	3272.81 (4/2)	3172.41 (2/1)	3272.81 (4/2/92)	41.22 (2/7/32)
Home Bonds	99.11	98.77	98.98	99.15	99.61 (17/1)	98.77 (3/2)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1368.27	1362.48	1354.26	1368.27	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.00	208.88	210.38	211.13	225.59 (3/1)	208.88 (3/2)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3283.09 (3261.40) Low 3208.63 (3193.43)

STANDARD AND POOR'S

	Feb 4	Feb 3	Jan 31	Jan 30	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.85	409.53	408.78	411.62	420.77 (15/1)	408.78 (31/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.64	486.98	485.57	488.61	499.27 (15/1)	485.57 (31/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.19	33.70	33.53	34.02	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.79	226.61	226.20	227.37	231.85 (15/1)	226.20 (31/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	413.68	411.32	411.57	410.92	415.33 (20/1)	395.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	631.00	623.43	620.21	621.37	631.00 (4/2)	586.45 (2/1)	631.00 (4/2/92)	54.87 (31/10/72)

	Jan 31	Jan 24	Jan 17	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.87	2.83	3.70

	Jan 29	Jan 22	Jan 15	year ago (approx.)
S & P Industrial div. yield	2.59	2.53	2.52	3.20
S & P Indl. P/E ratio	25.10	25.60	25.76	16.58

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Gen Motors	3,149,400	35	+ 1
RJR Nabisco	3,128,400	10¼	+ ¼
Ford Motor	2,990,800	33¾	+ ¾
Adv Micro	2,977,500	20¼	+ 1
Chrysler	2,925,700	16½	+ 1½
Glaxo	2,916,300	31	+ ½
MNC Finance	2,741,500	7⅛	+ ¼
Dow Jones	2,623,400	31	+ ¾
Am T & T	2,196,600	37½	+ ½
Nat. Semi	2,185,800	8½	+ ¾

TRADING ACTIVITY

† Volume (Millions)	Feb 4	Feb 3	Jan 31
New York SE	231.490	182.130	197.060
Amex	19.987	18.589	16.342
NASDAQ	(u)	194.607	226.155
NYSE			
Issues Traded	2,195	2,212	2,172
Rises	1,104	914	742
Falls	611	803	927
Unchanged	480	495	503
New Highs	118	84	82
New Lows	7	9	7

CANADA

TORONTO	Feb 4	Feb 3	Jan 31	Jan 30	1992 HIGH	1992 LOW
Metals & Minerals	3033.86	3029.84	3017.05	3051.55	3238.87 (16/1)	2935.22 (2/1)
Composite	3618.07	3594.40	3596.12	3605.80	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1896.10	1887.57	1884.47	1893.78	1937.59 (16/1)	1856.55 (2/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD				
M.S. Capital Intl.(1/1/70) (§)	525.3*	526.3	524.4	522.9
Euro Top-100 (26/6/90)	915.50	915.70	918.12	913.72

** Saturday February 1: Taiwan Weighted Price: (c).
§ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX General and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 4 February 1992

	Stocks Traded	Closing Prices	Change on day
Osaka Gas	10.0m	595	+4
Showa High	6.1m	1,170	+40
Nippon TV	3.6m	20,100	+600
Keihin Express	3.0m	818	-14
Tamura Elec	3.0m	1,750	+40
Mitsubishi Mat	2.6m	540	+10
Keio Teito Rail	2.4m	780	-10
Tobu Rail	2.3m	787	-1
Hitachi	2.2m	931	+7
NGK Insulators	2.1m	1,080	+10

Price data supplied by Telekurs.

4:00 pm prices February 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	12¼	AAR Corp x	0.48	3.3	16	707	u14¾	14½	14⅝	+⅛
26	22½	A L Labs A	0.16	0.7	26	118	23⅝	23⅛	23½	+⅛
68¾	58½	AMP Inc x	1.52	2.4	25	1331	63⅝	62½	63¾	+¾
75½	65⅜	AMR			24	3314	71¾	70¾	71⅛	+⅜
2⅜	1⅞	ARX			2	159	2⅛	2	2	−¼
52¾	46¼	ASA	3.00	5.8	15	525	u52⅞	52⅛	52⅛	
68⅞	60¾	Abbott Lab	1.00	1.6	25	5076	64¾	63¼	64¼	+⅝
13¼	12⅛	Abitibi Pr	0.60	3.9	17	4	12⅞	12¾	12⅞	
11⅝	11⅛	ACM Gvt In	1.28	11.0		288	11½	11⅜	11½	
10⅜	9½	ACM GvOpp	1.01	10.1		244	10⅛	10	10	−⅛
9½	9	ACM Gvt Sp x	1.01	10.8		781	u9½	9¼	9⅜	
11⅛	10⅝	ACM Gvt Se x	1.28	11.2		941	u11¼	11	11⅛	+¼
9⅜	8⅞	ACM Man	0.47	5.2		164	9¼	9⅛	9⅛	−⅛
12⅞	12¼	ACM Managd	1.35	10.9		391	12½	d12¼	12⅜	+⅛
9¾	7	Acme Clevs x	0.40	4.0	19	642	u10	9⅜	10	+⅝
5⅛	4⅝	Acme Elect			3	130	4⅞	d4½	4⅞	+⅛
33¼	30	Acuson			20	651	30⅞	30½	30⅞	+¼
19⅜	16½	Adams Exp x	0.46	2.5	0	67	18⅞	18¾	18⅞	
15¾	13	Adobe12Pl	2.40	17.1		43	14¼	14	14	−¼
5⅜	4½	Adobe Res			49	2801	5	4⅞	5	
49½	42¾	Ad Micro				298	47⅞	46¾	47½	+2
21⅞	17⅞	Ad Micro P	3.00	14.6	13	2701	20¾	19⅞	20½	+1
7	5	Advest Grp	0.16	2.5	26	257	6⅜	5¾	6⅜	+½
45¾	39	Aetna Lf x	2.76	6.5	8	2061	43⅝	42¼	42½	−1
10⅞	8⅞	Afill A x	0.24	2.2	98	1225	u10⅞	10¼	10⅞	+⅜
32⅞	29⅜	Aflac				1582	30⅞	29⅞	30⅜	+⅜
17¾	15⅞	Ahmanson x	0.88	5.1	6	880	17½	17¼	17⅜	−⅛
22½	17½	Alleen Inc			18	274	21¾	21½	21¾	
83⅜	72⅞	Air Pr Chm	0.80	1.0	18	1376	79¼	78½	79	+⅛

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- F -

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- G -

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- H -

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- I -

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- K -

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- M -

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- N -

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- P - Q -

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11¼	10⅝	Royce Val	1.22	10.8		189	u11¼	11⅛	11¼	
37¼	33¼	Rubbermaid x	0.34	1.0	33	1721	33⅞	d33⅛	33⅝	-⅛
17⅞	14⅞	Ruddick	0.24	1.4	13	79	17⅜	16⅞	17	-⅛
22¼	18	RussBerrie	0.60	2.8	18	174	22⅛	21½	21⅝	-¼
1½	1	Russ Togs	0.20	16.0	0	126	1⅛	1⅛	1⅛	-⅛
39⅝	33½	Russell Cp x	0.32	0.8	28	389	u39⅝	38⅝	39¼	+½
24½	19⅝	Ryder Sysl	0.60	2.7	34	1316	22⅜	22	22⅛	+½
28	22¼	Ryland Grp	0.60	2.2	38	483	27¼	27	27¼	+⅛

- S -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	17½	S Anita Rt	1.36	6.7	18	55	20⅛	20	20¼	
18	15¼	SCOR US Cp	0.24	1.3	10	189	u18¼	18	18¼	+¼
29½	24⅞	SPS Techno	1.28	4.5	22	60	28⅝	28½	28⅝	-¼
		ScatchdS	0.19	23.4	0	243				
13	12⅛	Sabine Rit	1.35	10.7	7	35	12⅝	12½	12⅝	+⅛
11⅞	9½	Safecard x	0.15	1.3	10	112	11½	11¼	11⅜	+⅛
16	14⅛	Safeg'd Sc			6	51	14⅜	14¼	14⅜	-⅛
28⅜	25⅛	SafetyKln	0.32	1.2	28	1348	26⅛	25¾	26⅜	-⅛
20¼	17½	Safeway				143063	18⅞	18	18⅞	+⅝

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
78	65½	Xerox	3.00	3.7	20	5556	u80¾	76½	80¼	+3⅞
53⅝	50½	Xerox4.125				2	52½	52½	53¼	+⅞
26⅜	24⅞	Xtra 1.94 x	1.94	7.5		78	26½	25½	26½	+⅛
33	28½	Xtra Corp x	0.80	2.4	13	291	32⅞	32½	32⅝	
27	25¼	Yankee Egy	1.60	6.0	13	51	26⅝	25¼	25⅝	
	½	Zapata			97	603				
9⅝	7¼	ZenithElec			3	728	9	8⅝	9	+¼
16⅞	15⅜	Zenith Nat x	1.00	6.2	103	62	16	16	16	+⅛
6⅝	6	Zenix Inc	0.84	12.9		74	u6⅝	6½	6½	-⅛
12¼	11½	Zero Corp x	0.40	3.2	19	882	u12⅞	12	12⅞	+⅞
38	34⅝	Zurn Ind x	0.88	2.5	15	288	35¼	34⅞	35¼	+½
14⅛	13½	Zweig Fund	1.16	8.4		385	13¾	d13½	13¾	+¼
11	10⅝	Zweig Totl	0.96	8.9		582	10¾	d10⅝	10¾	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices February 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Gent FdA x	0.66	12	1499	24¾	24	24⅝	+½
Glatfltr	1.20	16	7	57⅝	57½	57⅝	
Goldfield		7	23				
Greenman		30	63	5	4⅞	4⅞	-⅛
GRI Corp		1	275		d		-⅛
Gulf Cda	0.40	170	78	5¼	5⅛	5⅛	
Odetics A		53	36	7⅛	7	7	
Olsten	0.24	43	287	u28½	27⅞	28½	+1
Xytronix		25	33				

NASDAQ NATIONAL MARKET

4:00 pm prices February 4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1365	27½	26¾	27½	+¼
Xoma Corp		13	4048	24½	23½	24¼	+⅞
Yellow Fr x	0.94	30	842	28⅞	28½	28½	
York Rsch		67	836	7⅛	6⅞	6⅞	-⅛
ZionsUtah	1.44	9	141	u46⅝	45¾	46	-½

FINANCIAL TIMES Wednesday February 5 1992

AMERICA

Blue chip demand pushes Dow Jones to record

Wall Street

STRONG DEMAND for blue chips and an influx of available funds helped the Dow Jones Industrial Average reach a record high, *writes Karen Zagor in New York.*

At the close the Dow was 38.69 stronger at 3,272.81, edging the index above its previous all-time peak of 3,272.14 registered on January 28. Turnover on the New York Stock Exchange was moderately heavy at 232.3m shares. Advancing issues outpaced those declining by 1083 to 632. On Monday, the Dow added 10.73 to close at 3,234.12.

Among other market indices, the broadly-based Standard & Poor's 500 closed 4.32 higher at 413.85. The Dow Jones Utilities index, which lost ground through most of the day, turned higher in the last half hour of trading to close at 209, up 0.12.

Mr Laszlo Birinyi, a Wall Street strategist at Birinyi Associates, said the rally was helped by good, solid leadership of big stocks, such as Merck, which did well during the day. The strong bond market performance also helped stocks.

Testimony from Federal Reserve chairman, Mr Alan Greenspan, provided no surprises about the US economy or economic policy. He described recent economic performance as disappointing. However, he did not foresee significant economic contraction in the short-term.

Positive comments from Mr George Salem, an analyst at Prudential Securities, helped the banking sector. Citicorp gained $⅝ to $15⅝, BankAmerica rose $2 to $40⅝ and Chemical Banking added $⅜ to $29, although Mr Salem was less than bullish on Citicorp and BankAmerica.

Predictions of improved car sales for January helped shares in the big three US automobile makers post gains. Chrysler jumped $1⅛ to $16⅝, its 52-week high, in active trading. Ford firmed $⅝ to $33⅝ and General Motors improved $1⅝ to $35.

A number of issues moved on the back of corporate results. Sears edged $⅜ lower to $39⅞ after posting fourth quarter net income of $513.1m or $1.48 a share including an accounting change. Pepsico, which turned in fourth quarter earnings of 41 cents a share, excluding charges of 7 cents a share, rose $1¼ to $33⅞.

Control Data rose $1 to $12¼ after the company unveiled a fourth quarter loss of 36 cents a share, against 56 cents a year earlier. Beckman Instruments climbed $1½ to $21¼ on news that a group including two of the Bass Brothers had taken a 5.3 per cent stake in Beckman.

Disappointing results from Kemper, which posted fourth quarter earnings of 91 cents a share from 98 cents a year earlier, depressed the company's share price, which tumbled $4 to $36⅞. The secondary market also hit a record high, with the Nasdaq composite quoted 7.57 higher at 631.

Canada

TORONTO stocks ended higher on solid volume, led by a jump in the real estate and construction sector.

The composite index gained 23.67 points, or 0.66 per cent, to close at 3,618.07, with advancing issues leading decliners 320 to 246. Volume was 30.8m shares worth C$348.3m against the previous 24.9m shares worth C$272.7m.

Imperial Oil, whose shares moved up ⅜ to 42, announced a major corporate restructuring which will reduce its workforce by about 1,700 and its number of service stations by 1,000 over the next few years.

Continentals join real estate casualty list

But property shares have registered varied rates of decline, writes Vanessa Houlder

Property shares subsided across the globe in the final quarter of 1991. According to the FT-Actuaries World Indices, the sector fell 4.3 per cent in local currency terms, while the World Index itself was flat; but for some positive national performances, particularly in Singapore, Australia and the US, the October/December result would have been worse.

The rate of decline varied. In Canada, property shares fell by an average of 5 per cent; in Italy by 15 per cent; in Spain by 30 per cent; in France by 2 per cent; in Sweden by 22 per cent; in the UK by 18 per cent; in Japan by 5 per cent; and in New Zealand by 20 per cent, according to the stockbrokers County NatWest.

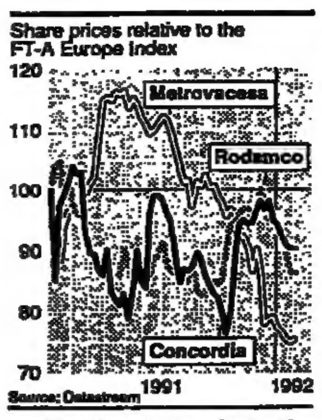
The Continental European markets are the most recent casualties. "Even those markets which had remained relatively unaffected are now facing a significant downturn in activity with rental and capital growth rates rapidly falling towards nil," says Mr Ray Jones of Paribas Capital Markets. Most European property shares are now trading at the bottom of their normal range, when considered in terms of their discount to net assets.

The downturn in the economy has paralysed tenants and investors, who are unwilling to commit themselves in such an uncertain climate. That said, these property markets may escape the worst of the downturn because they are less affected by over-lending and overbuilding than the English-speaking economies. Few risk as steep a fall in property shares as the UK, where the sector has dropped by 41 per cent over the last three years.

After the UK, France has proved the most vulnerable direct property market in Europe, thanks to a high level of speculative bank loans to developers. Paris has seen a wave of new developments and decreased activity which has pushed rents down by some 10 per cent and capital values down by 20 to 25 per cent over the last year. However, French property shares have been relatively stable as they have offered large discounts to net assets and high yields after falling by 25 per cent in 1990.

In Germany, the real estate market slowed sharply in the last quarter of 1991, thanks to static or falling rental levels and higher interest rates. However, vacancy rates are just 1-3 per cent, which should prevent any significant fall in rents.

Share prices relative to the FT-A Europe index



Source: Datastream

The fundamental changes affecting Germany – re-unification, changes in eastern Europe and expectations of a post-1992 Europe – have sustained interest in the few quoted property companies (too few, indeed, to have a place in the FT-Actuaries World Indices). Concordia, a thinly-traded stock with few sellers and a high degree of foreign interest, ended the year on a 20 per cent premium to net assets.

Spanish property fell in value in the latter part of last year as a result of an increased supply of offices in Madrid and a withdrawal of foreign investors. With relatively high interest rates, a slowing economy and disappointment over the absence of lease law reform, the performance of shares like Metrovacesa has been very weak.

The Dutch property market has performed dully, with low levels of investment activity. But its large property companies are not representative of the market as they have an international spread of investments.

The performance of Rodamco, which is by far the largest Dutch property investment vehicle, has also been affected by some momentous corporate decisions. Its share price fell heavily in late 1990 when it changed, in effect, from an open-ended to a close-ended company. In December, ABP, the Dutch civil servants pension fund, said it would invest £770m in Rodamco at net asset value. Late last month Wereldhave and VIB, the Netherlands' second and third largest property investment companies, announced plans to look into the possibility of entering into a "far-reaching form of co-operation".

Looking beyond the current trough, a case can be argued for investing in continental property companies. Mr David Harris of Carnegie International, the UK-based broker, believes that the Maastricht summit has huge implications. He thinks that monetary union will foster the economic conditions conducive for growth in property values. Moreover, investment may be stimulated by unhindered capital flows across EC boundaries.

But recovery is likely to be a slow process. Mr Jones of Paribas is generally cautious about property equities on fundamental grounds. In his view, the continental property markets are likely to remain quiet in the first half of 1992, before stabilising towards the end of the year.

ASIA PACIFIC

Nikkei falls below 22,000 on arbitrage unwinding

Tokyo

A FALL in futures led market professionals to unwind arbitrage positions with the cash market in equities yesterday, and the Nikkei average declined for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225-issue average fell through the 22,000 level to close 139.99 down at 21,999.60, after a low of 21,831.16 in the morning session and a high of 22,116.54 in the afternoon.

The index fluctuated amid low activity led by dealers, and volume fell to 180m shares from 200m. Declining shares led those advancing by 550 to 380, with 180m shares remaining unchanged.

The Topix index of all first section stocks fell 3.76 to 1,628.86 and, in London, the ISE/Nikkei 50 index fell 3.29 to 1,247.10.

Enthusiasm waned for last Friday's political initiative to rescue the market, which had driven the index up 2.7 per cent during the previous two days. Traders said that buying activity, prompted by hopes of a government support package for the stock market, had been dealer-led and investors had failed to follow the activity.

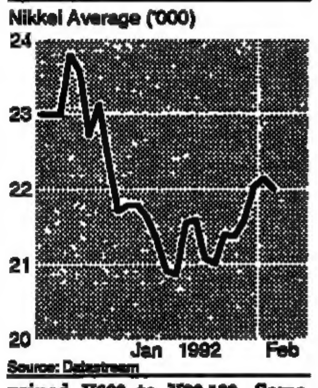
Mr Craig Chudler, strategist at UBS Phillips & Drew, said that a scenario involving politicians proposing support for the market before the elections was viewed with some caution by investors.

Selling pressure in the futures market mounted as investment trusts liquidated holdings in anticipation of meeting redemptions. Traders said that the decline in futures prices prompted arbitrage-related selling. In the afternoon session, the Nikkei briefly regained the 22,000 level following the rebound in the futures market. But as futures lost momentum towards the close, the index also lost ground.

Speculative activity pushed up Nippon Television, which

Tokyo

Nikkei Average ('000)



Source: Datastream

gained Y600 to Y20,100. Some dealers and individuals looking for quick profits were seen trading the stock, which is known for its illiquidity.

However, profit-taking pushed other high-priced issues lower. Nippon Telegraph and Telephone fell Y7,000 to Y706,000 after a three-day advance. Sega Enterprises, the video game maker, fell Y100 to Y13,700 while Nintendo lost Y300 to Y11,400.

Electronic companies were bought on bargain-hunting. Hitachi gained Y7 to Y931 and Sony added Y20 to Y4,360.

CSK, the computer software company, rose Y140 to Y4,290 thanks to the reduction of the stock's minimum trading unit from 1,000 shares to 100 shares.

In Osaka, the OSE average fell 91.76 to 23,622.59 in volume of 84.5m shares. The index fell for the first time in six trading days due to increased profit-taking and stop-loss selling.

Roundup

MOST of the Pacific Rim celebrated the Chinese new year: Hong Kong, Singapore, Seoul, Taiwan and Kuala Lumpur were closed.

AUSTRALIA was weaker, with a A$25m portfolio sale pushing the All Ordinaries index as low as 1,593.0 in morning trade before it recovered to close 11.0 lower at 1,600.3.

The economic statement from Prime Minister Mr Paul Keating, due on February 26, and some earnings downgradings were making the market nervous.

News Corp declined 36 cents to A$14.40 and BHP shed 14 cents to A$13.48. Coles Myer, the retailer, declined a further 16 cents to A$11.54 following Monday's poor half-year sales figures.

Elsewhere, the all-gold index was off 5.9 at 1209.7 while on the Sydney futures market the March Share Price Index contract fell 12.2 to 1613.8.

NEW ZEALAND rose in active trading helped by government data which showed a 1.3 per cent increase in third quarter GDP. The NZSE-40 index put on 2.47 to 1,461.54. Fletcher Challenge gained 5 cents to NZ$3.47, while Lion Nathan declined 4 cents to NZ$3.43.

BOMBAY ended mixed in thin trading, weighed down by trading restrictions. The BSE index rose 5.91 to 2,278.72. On Monday the BSE authorities banned forward deals in specified stocks, raised purchase margins on cash stocks and imposed daily trading limits to deter excessive speculation.

BANGKOK remained cautious awaiting today's market debut of Bangkok Land. The SET index was up 2.53 at 769.72 in turnover of Bt4bn.

MANILA closed mixed with the composite index down 5.34 to 1,261.94 in turnover of 155m pesos, down from 200m pesos.

JAKARTA saw active trading in local stocks: the index fell 1.14 to 286.05 in volume of 14m shares (18.6m).

SOUTH AFRICA

THE JSE all-gold index fell 15 to 1,260 as the gold price traded at some $356 an ounce. Vaal Reefs fell R7 to R218 and Western Deep declined R2.25 to R126.50. The industrial index shed 1 to 4,407 and the all-share lost 12 to 3,594 in thin trading.

EUROPE

Bourses concentrate on individual issues

SECOND THOUGHTS on the German steel pay settlement were no more bullish yesterday than Monday's reaction, and senior bourses tended to concentrate on individual issues, *writes Our Markets Staff.*

FRANKFURT saw a big rise in Continental, the tyremaker, and an even bigger fall in Lufthansa, the state-controlled airline whose shares had been one of the bourse's star performers in 1991, and early 1992.

Conti rose DM5.80 to DM230.50, against the trend in the market which registered a 4.96 decline to 683.73 in the FAZ index at midsession, and a 12.61 fall to 1,676.40 in the DAX at the close. Volume fell from DM7bn to DM5bn.

The UK broker, BZW, said that it was recommending Conti as a "buy" after a meeting with the company, noting that the tyremaker expected to halve losses in the US to $50m this year and eradicate them in 1993. The company raised replacement tyre prices by 12 per cent last October and saw 2 to 3 per cent growth in global tyre sales in 1992.

Lufthansa reacted a day late to Monday's story in the German newspaper, Augsburg Allgemeine, that the airline would report a DM400m loss for 1991 after earlier hopes of break-even. After hitting a new 1992 high of DM181.50 on Monday, the shares dropped DM8.50 to DM172.50 in yesterday's official session, and were quoted DM4 lower after hours.

Mr Mark Simpson, of UBS Phillips & Drew, said that poor results at Lufthansa were usually offset by second half aircraft sales, and write-backs from reserves. Last year, disposal revenue was small and there seems to have been a conscious decision not to write back reserves. However, he said, the company was still cheap, trading on a prospective 1992 cash earnings multiple of 2.9, compared with 6 times two years ago at the start of the recession in the industry.

PARIS recovered from the day's lows but failed to move into positive territory. The CAC-40 index ended 0.50 lower at 1,856.48 after a low of 1,840.30 in thin volume of Fr1.8bn.

Elf depressed the market at the start as its fall in 1991 net attributable profit of FFr9.8bn from FFr10.6bn disappointed the market's most optimistic forecasters who had expected FFr11bn. The stock fell FFr2.80 to FFr363.50 on 410,700 shares.

Eurotunnel was the day's most active share, falling FFr2.80 or 1.3 per cent to FFr44.50 with 904,500 shares traded, on a report in a French newspaper that the company would offer shares to the TML, the consortium building the tunnel, to settle their dispute over costs. After the close, Eurotunnel called the report speculative.

Alcatel weakened for the second day, closing down FFr6 at FFr566 in unexceptional volume of 312,040 shares as some brokers downgraded their forecasts. County NatWest has reduced its 1992 net profit estimate from FFr6.4bn to FFr6.1bn, citing the company's high exposure to the European public switching market which is expected to see a decline in spending.

MILAN opened weak but saw a burst of domestic demand late in the session. The Comit index rose 0.57 to 545.26 in turnover estimated at L110bn after L82bn.

Renewed speculation that Olivetti was about to merge with another company lifted the share price by L81 or 2.9 per cent to L2,813. Another riser was the insurer Fondiaria which added L1,150 or 2.9 per cent to L40,130 but dealers could find no reason for the move.

Fiat, which after the close announced plans to reduce its workforce by 10,300 this year, dropped L64 to L5,087.

Among smaller, cyclical stocks, Cogefar and Falck were in demand, rising L100 and L170 respectively to L3,551 and L6,100.

AMSTERDAM fell on afternoon profit-taking as the CBS Tendency Index edged up 0.1 to 122.4.

Tulip Computers rose Fl 0.10 to Fl 24.70 after reaching a high of Fl 25.40. The group reported that 1991 first half sales fell 8 per cent but expected growth of 15 per cent in the second half. Philips shed Fl 0.70 to Fl 30.8 on worries over fourth quarter figures, due on February 27. Profit-taking hit Elsevier after hitting a new high on Monday: it fell Fl 0.70 to Fl 108.40.

STOCKHOLM was relieved that Electrolux was holding its dividend in spite of a 27 per cent drop in profits.

Electrolux B climbed SKr11 to SKr247 in turnover of about SKr40m as the Affärsvärlden General index closed 6.9 better at 969.6. Volume was moderate, although it nearly doubled from SKr220m to SKr420m.

MADRID rallied with the general index up 1.73 to 257.15. Turnover improved to Pta14bn from Monday's low of Pta8.5bn. Shares in Cofir, the holding company of the Italian entrepreneur Mr Carlo De Benedetti, and Macosa, in which Cofir has a 25 per cent stake, were suspended on merger rumours.

OSLO steadied after Monday's 2 per cent fall: the all-share index rose 1.91 to 440.48 in turnover of NKr207.18m. Norsk Hydro gained NKr2 to NKr146.5.

BRUSSELS closed lower: the Bel-20 index ended 7.25 down at 1,170.57.

FT-SE Eurotrack 100 - Feb 4

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1129.23	1129.02	1130.47	1130.78	1130.70	1129.82	1131.07	1132.79

Day's High 1132.79 Day's Low 1128.71

Feb 3	Jan 31	Jan 30	Jan 29	Jan 28
1134.04	1137.97	1131.87	1132.85	1143.22

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 4 1992								MONDAY FEBRUARY 3 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	143.44	−0.9	118.11	114.34	118.73	127.06	−0.7	4.34	144.82	119.28	115.25	120.28	127.96	160.31	112.74	126.56
Austria (20)	176.44	+0.2	145.29	140.64	146.04	145.99	−0.3	1.98	176.05	145.01	140.11	146.22	146.45	222.37	153.66	193.18
Belgium (46)	142.67	−0.3	117.46	113.71	118.08	115.58	−0.4	5.10	143.07	117.84	113.85	118.82	116.08	151.20	118.04	139.61
Canada (115)	137.41	−0.2	113.15	109.53	113.73	117.51	+0.5	3.14	137.66	113.39	109.55	114.33	116.93	144.28	126.49	132.31
Denmark (37)	265.35	+0.7	218.50	211.52	219.63	222.77	+0.1	1.61	263.61	217.13	209.79	218.94	222.65	273.94	217.74	248.01
Finland (15)	87.54	−0.1	72.08	69.78	72.46	79.79	−0.7	3.05	87.63	72.18	69.74	72.78	80.37	126.15	73.32	101.48
France (108)	150.78	+0.1	124.16	120.18	124.79	128.37	−0.1	3.46	150.60	124.04	119.84	125.06	128.51	152.95	119.11	140.62
Germany (65)	119.68	−0.5	98.55	95.41	99.06	99.06	−0.8	2.33	120.27	99.06	95.72	99.88	99.88	125.35	94.15	117.30
Hong Kong (55)	193.89	+0.0	159.65	154.54	160.48	193.05	+0.0	3.93	193.87	159.69	154.29	161.03	193.05	193.89	119.62	134.63
Ireland (18)	171.00	+0.3	140.81	136.31	141.53	143.89	−0.2	3.54	170.48	140.41	135.67	141.59	144.18	182.46	132.88	149.39
Italy (77)	78.89	+0.3	64.96	62.88	65.29	70.54	+0.1	3.27	78.69	64.81	62.62	65.35	70.49	88.23	64.76	78.92
Japan (473)	127.48	−0.4	104.97	101.61	105.52	101.61	−0.2	0.84	127.96	105.39	101.83	106.29	101.83	148.97	118.23	133.11
Malaysia (68)	228.16	+0.1	187.87	181.86	188.84	229.83	+0.0	2.84	227.99	187.78	181.43	189.35	229.83	247.78	189.18	213.60
Mexico (18)	1525.78	−0.2	1256.38	1216.20	1262.85	5113.06	−0.2	1.02	1526.38	1258.87	1216.34	1269.38	5120.95	1582.07	594.45	580.08
Netherland (31)	153.39	+0.0	126.30	122.26	126.96	125.52	−0.2	4.31	153.31	126.28	122.01	127.33	125.78	155.74	125.70	136.73
New Zealand (14)	45.35	+0.8	37.34	36.15	37.54	44.40	+0.5	6.19	44.99	37.05	35.80	37.38	44.19	54.64	41.18	47.02
Norway (24)	181.83	+1.2	149.72	144.94	150.50	154.19	+0.8	1.69	179.72	148.03	143.03	149.27	153.01	223.24	157.08	198.29
Singapore (38)	224.48	+0.1	184.84	178.93	185.79	168.15	+0.0	2.07	224.20	184.67	178.43	186.21	168.15	228.48	151.63	177.69
South Africa (61)	248.37	+0.8	204.51	197.97	205.56	180.07	−0.4	2.76	246.39	202.94	196.06	204.63	180.73	271.99	173.00	181.34
Spain (52)	158.07	+1.2	130.16	126.00	130.83	120.23	+0.9	4.53	156.16	128.63	124.28	129.70	119.19	171.12	131.51	154.89
Sweden (25)	183.18	+1.6	150.84	146.02	151.62	156.88	+1.0	2.85	180.29	148.50	143.48	149.74	155.27	204.12	148.60	184.21
Switzerland (59)	101.15	+0.1	83.29	80.63	83.73	89.11	−0.1	2.25	101.10	83.27	80.46	83.96	89.22	103.50	82.17	95.93
United Kingdom (233)	183.47	−0.1	151.08	146.23	151.84	151.08	−0.1	4.91	183.62	151.24	146.11	152.49	151.24	187.44	156.27	174.12
USA (523)	168.93	+1.0	139.10	134.66	139.83	168.93	+1.0	2.89	167.31	137.81	133.16	138.96	167.31	171.66	125.95	142.32
Europe (810)	148.15	+0.0	121.99	118.09	122.62	122.97	−0.2	3.91	148.11	121.99	117.87	123.02	123.16	151.52	125.50	141.57
Nordic (101)	184.88	+1.1	152.24	147.37	153.02	151.27	+0.5	2.14	182.93	150.67	145.59	151.93	150.52	200.81	155.55	182.00
Pacific Basin (717)	129.84	−0.4	106.92	103.50	107.47	104.87	−0.2	1.17	130.32	107.34	103.72	108.24	105.10	145.92	117.86	132.58
Euro – Pacific (1527)	137.46	−0.2	113.19	109.56	113.77	112.83	−0.2	2.35	137.74	113.45	109.61	114.39	113.05	147.66	121.29	136.60
North America (638)	166.92	+0.9	137.45	133.07	138.18	165.44	+0.9	2.90	165.41	136.25	131.66	137.41	163.89	169.69	125.91	141.62
Europe Ex. UK (577)	126.75	+0.1	104.37	101.05	104.93	106.66	−0.2	3.18	126.63	104.30	100.80	105.19	106.88	129.80	103.58	121.67
Pacific Ex. Japan (244)	153.22	−0.3	126.17	122.15	126.83	137.36	−0.2	3.88	153.70	126.60	122.34	127.67	137.70	153.70	111.40	125.61
World Ex. US (1721)	139.53	−0.2	114.89	111.23	115.49	114.92	−0.2	2.37	139.78	115.13	111.25	116.10	115.11	148.16	122.32	137.16
World Ex. UK (2011)	145.06	+0.3	119.45	115.63	120.07	129.61	+0.3	2.29	144.63	119.12	115.11	120.13	129.21	150.58	120.06	134.30
World Ex. So. Af. (2183)	147.75	+0.3	121.66	117.78	122.30	131.21	+0.3	2.56	147.38	121.39	117.30	122.42	130.85	153.06	122.92	137.57
World Ex. Japan (1771)	160.85	+0.5	132.45	128.23	133.16	146.67	+0.5	3.29	160.01	131.80	127.36	132.92	147.99	161.90	126.69	141.66
The World Index (2244)	148.40	+0.3	122.20	118.30	122.84	131.65	+0.3	2.57	148.02	121.92	117.80	122.94	131.30	153.70	123.28	137.84

Constituent change with effect 5/2/92: Deletion: Carlsberg C (Denmark). Markets closed February 4: Hong Kong, Malaysia and Singapore.

FT LAW REPORTS

Travel rescue fund must be paid back to banks

GIROZENTRALE UND BANK DER OESTERREICHISCHEN SPARKASSEN AKTIENGESELLSCHAFT & OTHERS v THE TOSG TRUST FUND LTD
Court of Appeal
(Lord Justice Parker, Lord Justice Mustill and Lord Justice McCowan):
January 28 1992

A TRUST fund incorporated by an association of tour operators to assist customers of failed members must repay bonded sums obtained from banks on the undertaking that monies not spent in exercise of the fund's powers would be returned, in so far as they are used outside those powers to assist customers of non-members, including a member's subsidiaries, in respect of which no bond monies were received.

The Court of Appeal so held when allowing an appeal by the plaintiffs, Girozentrale und Bank der Oesterreichischen Sparkassen Atkiengelsellschaft and eight other banks, from a decision of Judge Diamond QC sitting as a deputy High Court judge, that the defendant, the Tosg Trust Fund Ltd, was entitled to use money advanced by the banks for purposes other than in connection with claims against members of the Tour Operators' Study Group.

LORD JUSTICE PARKER said that on March 8 1991 administrators were appointed of a company called ILG Travel, a subsidiary of International Leisure Group (ILG).

Travel had a subsidiary, Quest Leisure Group, which had a subsidiary, Skiscope Direct.

ILG, which was a holding company, had a further subsidiary, ILG Leisure.

Travel and the other companies all carried on business as tour operators.

The result of appointing administrators for Travel was that £53.2m became payable to Tosg Trust Fund under a bond dated September 28 1989 as amended by a deed dated March 26 1990. The money was duly paid on March 11 1991.

The bond was made between the Fund and 14 banks or financial institutions. The plaintiffs were nine of the 14.

Tosg Trust Fund was incorporated in 1970 by members of an unincorporated association known as the Tour Operators Study Group (Tosg), the affairs of which were regulated by a set of rules. It was formed in 1967 by 24 of the largest tour operators.

The bond was obtained under a facility agreement dated September 29 1986 between Travel (then known as Intasun Holidays) and ILG and the banks and financial institutions.

Recital (B) of the bond stated that it covered "the following companies, ... all of which are tour operators and are members of the same group".

It set out one company only, namely Travel, followed by 33 names, none of which were legal entities but, save three, were names under which Travel traded. Three were names under which ILG Leisure traded but Travel did not.

Clause 6 of the bond provided that in consideration of issue of the bond, "the Fund hereby covenants ... that upon payment of the bonded sum by the obligors to the Fund, the Fund will undertake in writing ... that the Fund will repay ... on demand, such part of the bonded sum as shall not be expended ... in the performance and the execution of the rights, duties, powers and discretions set out in the Fund's memorandum and articles of association ..."

On March 13 1991 the Fund gave the undertaking required by that clause.

Thereafter the banks became aware that the Fund was using the amount paid under the bond to assist customers not only of Travel but also of ILG Leisure, Quest and Skiscope, all three of which had, like Travel, suffered financial failure.

The banks considered that that was not a permissible use of bond monies.

They issued a writ on July 12, claiming *inter alia* an injunction to restrain the Fund from expending the bonded sum other than in connection with claims by Travel customers, and a declaration that it was not entitled to do so.

Judge Diamond QC sitting as a Deputy High Court Judge held that the Fund was entitled to make payments in respect of the challenged claims. As a result the banks' claim failed and the action was dismissed.

The banks now appealed.

In *Barclays Bank Ltd v TOSG Trust Fund [1984] BCLC 153* the issues were different, but Lord Justice Slade said the banks had a contractual right to prevent the Fund from expending bond moneys other than in performance and execution of its rights, duties, powers and discretion.

However, he said, subject to that limitation it was the Fund's choice as to how it should spend the bond moneys, and the banks could not complain about such expenditure, though it would prejudice their rights of obtaining recoupment of unexpended bond moneys.

That passage was relied upon by the judge.

Barclays went on appeal to the House of Lords *([1984] BCLC 259)*. At page 265 Lord Templeman said that on the terms of the bond and the memorandum of association, if the Fund did not employ the whole sum for authorised purposes, the balance was to be refunded to the bank.

In the objects clause in the Fund's memorandum of association, the paragraph A object was "to manage, utilise, employ and expend funds and monies paid and/or to be paid to the company under or by virtue of bonds ... generally alleviating the consequences to each member's customers of the business failure of the Tosg member in respect of whom such funds are received by the company".

The paragraph K object was "to make donations to such persons and in such cases as the company may think directly or indirectly conducive to any of its objects or otherwise expedient".

Paragraph A clearly confined the Fund to paying out to customers of the failed Tosg member in respect of whom bond monies were received.

In the present case only Travel was a Tosg member.

In so far as monies were expended in alleviating the consequences of failure to customers of Leisure, Quest or Skiscope they were not expended in the performance of the Fund's rights, duties, powers or discretions set out in the memorandum of association.

As to paragraph K, the payments clearly could not be regarded as "conducive" to the paragraph A object. Nor could they be regarded as "otherwise expedient". The words, although apparently unlimited, could not be construed to enable the company to use monies received for one clear purpose, to make donations to customers of other tour operators with no bond.

The facility agreement, which came years after the latest amendments to paragraph A of the objects clause, could not influence or control the meaning of the memorandum of association.

So far as the Tosg rules were concerned, rule 4 provided that members were to be companies or firms whose names were included in lists appended to the copy of the rules. Rule 8 provided that "each member shall arrange for a bond ... or similar arrangement in favour of the Tosg Trust Fund in respect of such member and/or its tour operator subsidiaries".

It was clear that Travel was, as a member, to arrange for a bond or to make a similar arrangement, not only in respect of itself but also in respect of its subsidiaries. It did not in fact do so because the Fund accepted that the bond in existence in respect of Travel was adequate for the protection of Quest and Skiscope.

The fact that the rules imposed an obligation could not affect or extend the banks' exposure. When the banks issued a bond, they exposed themselves to the risk of failure of the Tosg member and, at least apparently, to the failure of any other company in the member's group as therein defined. That was specified and could not be altered by something of which the banks knew nothing.

The Fund was not entitled to make payments to or for the benefit of customers of Quest, Skiscope and ILG Leisure. It was entitled to make payments so far as concerned names under which Travel was trading as a tour operator.

The appeal was allowed.

Their Lordships agreed.

For the banks: Peter Leaver QC and George Leggatt (Clifford Chance).

For the Fund: Alan Steinfeld QC and Christopher Nugee (Norton Rose).

Rachel Davies
Barrister